



Public Library, Gov't Info. Ctr., 5th Flr
Attn: *Susan Hom*

**Performance Audit
of the
Department of Parking and Traffic**

DOCUMENTS DEPT.

APR 23 1999


SAN FRANCISCO
PUBLIC LIBRARY

Prepared for the

**Board of Supervisors
by the**

**Board of Supervisors Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102
(415) 554-7642**

April, 1999



Digitized by the Internet Archive
in 2016 with funding from
San Francisco Public Library

**BOARD OF SUPERVISORS****BUDGET ANALYST**

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

April 22, 1999

Honorable Tom Ammiano, President
and Members of the Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4689

Dear President Ammiano and Members of the Board of Supervisors:

Transmitted herewith is the Budget Analyst's Performance Audit Report of the Department of Parking and Traffic.

In total, this report presents 8 findings which contain 49 recommendations. Our recommendations are detailed in each of the finding sections in our report. If fully implemented by the Department, these recommendations would result in an estimated \$8.8 million to \$12.9 million annually in reduced costs and increased revenues for the City.

Our findings and recommendations are organized in seven separate sections of this report addressing Parking Control Enforcement issues, Workers Compensation, Fleet Management, the Parking Meter Program, the New Contract for Parking Citation Processing Services, the Adult School Crossing Guard Program and a follow-up to our 1993 performance audit of City-Owned Parking Garages. Each of these sections of the performance audit report are summarized below.

Enforcement

As part of the Budget Analyst's performance audit of DPT, we reviewed the deployment policies and practices, as well as the availability of Parking Control Officers (PCOs) to work their scheduled assignments in the Enforcement Division. With 354 personnel, the Enforcement Division has the greatest and most consistent exposure to the general public.

BOARD OF SUPERVISORS
BUDGET ANALYST

April 22, 1999

Page 2

Based on our review and analysis of the operations of the Enforcement Division, we found that DPT is unable to provide an adequate level of enforcement services throughout the City for two principal reasons: (a) high absenteeism among Parking Control Officers; and (b) the failure of DPT to schedule a sufficient number of PCOs to meet its minimum staffing requirements or to adequately enforce parking regulations during all periods when coverage is needed.

Section 1.1 Parking Control Officer Productivity

Based on our analysis, we found that DPT is unable to provide an adequate level of enforcement services throughout the City primarily because of high absenteeism among PCOs.

On average, approximately 25 percent of PCOs are not available to work their scheduled shifts on any given day. This is the equivalent of 65 PCOs who are unavailable for work over the course of an entire year. Even when vacation, compensatory time off, holidays, and family leave are excluded, PCO absenteeism results in 12,157 lost days per year, or the equivalent of 47 PCOs. The total cost to the City of PCO absenteeism is nearly \$9.7 million annually.

In addition, we found that policies and procedures regarding attendance are not enforced consistently by the DPT. As a result, 60 percent of PCOs do not meet acceptable standards for attendance.

There is also strong evidence indicating the abuse of paid sick leave. Our report cites examples of PCOs taking paid sick days on the day before or the day after their regular days off, their holidays, or their vacation days, thereby indicating that paid sick leave is being abused by PCOs.

DPT should formally establish and consistently enforce employee attendance standards and consider implementing incentive programs to reward employees for showing up to work. By reducing absenteeism, DPT could add the equivalent of between 11 and 32 PCOs annually (of the total equivalent of 65 PCOs unavailable over the course of a year), which would improve the enforcement of parking and traffic regulations throughout the City and result in increased turnover of parking spaces, reduced traffic congestion, and better response to complaints. Also, additional revenues of between \$2.1 million and \$6.2 million could be generated annually from increased parking citation revenue.

Section 1.2 Parking Control Officer Deployment

Based on our review and analysis of DPT's deployment policies and practices, we found that DPT often does not schedule a sufficient number of PCOs to meet its minimum staffing requirements or to adequately enforce parking regulations during all periods when coverage is needed the most. This problem is further exacerbated by the high absenteeism discussed in Section 1.1.

For example, DPT falls short of its minimum staffing requirements on every day of the week, resulting in an average of 119 shifts (of the minimum requirement of 1,242 shifts) remaining unstaffed each week. In addition, DPT does not provide consistent or sufficient coverage of General Enforcement "beats" (geographic PCO assignment areas) throughout the day or of Residential Permit Parking areas during all time periods when coverage is needed.

DPT should modify current PCO deployment and shift assignment practices in order to achieve a more efficient and effective allocation of PCOs and to improve the Department's ability to provide a sufficient level of enforcement services throughout the City.

The implementation of our recommendations would lead to improved coverage of General Enforcement beats and Residential Permit Parking areas, increased turnover of parking spaces, reduced traffic congestion, and better response to complaints. In addition, using overtime rather than regular duty PCOs to provide special event coverage would result in net increased revenues of over \$2.1 million annually.

Section 2 Workers Compensation

As part of this performance audit, the Budget Analyst reviewed and analyzed DPT's workers compensation expenditures and its policies and practices with regard to the filing of workers compensation claims and the use of modified duty assignments for personnel who have temporary disabilities. We found that:

- DPT ranks third behind the Fire Department and the Municipal Railway in workers compensation expenditures per employee. Actual expenditures have increased by an average of 24 percent per year over the past five fiscal years. Projected FY 1998-99 workers compensation expenditures are \$2,143,948, or \$420,359 more than budgeted expenditures. Currently, DPT spends an average of \$7,063 per claim, and 44 percent of DPT's workforce has at least one active workers compensation claim.

- Additionally, 86 percent of work-related injuries result in lost workdays. Work-related injuries have resulted in 20,836 lost workdays over the past nine years. This corresponds to lost productivity of nearly \$4.2 million in salaries and benefits, or an average of \$465,867 annually. In addition, this lost productivity negatively impacts service levels, thereby contributing to increased traffic congestion, reduced parking turnover, reduced parking citation revenues, and increased complaints from the public.
- During the period from January 1, 1990 through December 31, 1998, employees with workers compensation claims missed an average of 66 workdays each, with 91 employees missing more than three months of work, including 15 employees missing more than one year of work. One employee missed over three years of work as a result of an injury. We also identified numerous instances of employees filing multiple claims in one year, in successive years at the same time of year, or for the same type of injury, indicating potential abuse of the workers compensation system.

DPT has developed a Workers Compensation Cost Containment Plan. After a thorough review and evaluation, we recommended alterations to the original plan. We now support the funding and implementation of this plan, including improved case management and claims administration. In addition, we recommend that DPT expand its Modified Duty Program (to bring injured employees back to work performing jobs that accommodate their physical impairment) and the use of Industrial Disability Retirements, for employees that can never physically perform the duties of their position, in order to improve worker productivity and reduce workers compensation costs.

The implementation of our recommendations would enable DPT to reduce its workers compensation costs by a total of \$2,776,341 over the next five years. This would be partially offset by additional total costs of \$1,265,601 over the next five years, resulting in net savings of \$1,510,740 in the first five years, with on-going net savings of \$1,451,080 per year thereafter.

Section 3 Fleet Management

This section of our report provides a review of DPT's vehicle assignment practices, maintenance costs and acquisition policies, with a primary focus on the Enforcement Division. The general purpose of this review was to provide recommendations on vehicle assignment policies, vehicle maintenance practices, and a vehicle acquisition strategy which are consistent with the needs of DPT and the City's budgetary resources. Within this general purpose were specific goals, including: (1) ensuring that an adequate number of vehicles are available for DPT

staff; (2) a reduction in the cost of operating DPT vehicles; (3) increased reliability of DPT vehicles; and (4) a regular replacement schedule for DPT vehicles.

As of the writing of this report, the Enforcement Division had a fleet of 261 vehicles, consisting of 217 3-wheel motorcycles (e.g., GO-4s, Cushmans, and Kosmans), 34 Geo Metro subcompact vehicles, five Chevrolet Trackers, and five vans.

DPT's Enforcement Division currently has a sufficient number of vehicles in its fleet and available for service to meet its daily vehicle needs, and has made significant progress in improving its ability to track vehicle repair costs.

Nonetheless, the average maintenance costs for DPT vehicles are very high. In FY 1997-98, DPT spent \$0.39 per mile on maintenance costs (excluding fuel), or three times the manufacturer's estimate of \$0.13 per mile for 3-wheel motorcycles. We identified three principal reasons for this: (1) 65 percent of DPT's vehicles are at the end or have already surpassed their recommended vehicle life; (2) the practice of repairing rather than retiring and replacing aging vehicles in need of costly repairs; and (3) an inadequate level of preventive maintenance.

For example, we found that the average repair costs for older vehicles was 127 percent higher than the average repair costs for newer vehicles. In addition, we identified several examples of extremely costly repairs: repairs costing \$5,625 were done on a seven-year old Cushman with a book value of only \$534, while repairs costing \$4,789 were performed on another six-year old Cushman with a book value of \$1,205. One seven-year old Cushman with a book value of \$124 incurred \$6,898 in repair costs in one year, while another six-year old Cushman with a book value of \$1,752 incurred repair costs of \$5,868 in one year.

DPT should implement a regular replacement schedule for its entire vehicle fleet. The estimated cost to replace its 3-wheel vehicle fleet would be \$750,545 annually. This level of annual expenditure would not represent an increased cost, however, but would merely stabilize spending. For example, a regular replacement schedule would eliminate the need for large acquisitions that result in a large part of the fleet aging at the same time, thus necessitating further large acquisitions in the future. Regularly replacing vehicles when they can no longer be operated economically would eliminate the need for costly repairs of aging vehicles, thereby reducing DPT's maintenance costs. If the Enforcement Division can reduce its maintenance costs from \$0.39 per mile to the manufacturer's estimate of \$0.13 per mile, this would result in on-going savings of \$321,371 annually.

Section 4 Parking Meter Program

DPT's Traffic Operations Division is responsible for the City's Parking Meter Program, including the maintenance, repair and collection of revenue from approximately 22,700 parking meters throughout the City. The Parking Meter Program consists of a Parking Meter Maintenance Division, a Parking Meter Collections Manager, parking meter collection services provided by an outside contractor and coin counting services provided by MUNI's Revenue Department.

DPT is currently preparing a Request for Proposal (RFP) that would replace about 22,700 mechanical parking meters with electronic parking meters. The Department is also considering that a portion of the current Parking Meter Program be managed by an outside contractor.

The Parking Meter Program suffers from poor coordination of staffing and resources. For example, two critical functions, the Parking Meter Maintenance Shop and the Parking Meter Repair Shop, have had until very recently staff vacancy rates of 25 percent and 40 percent respectively. This has contributed to a low revenue collection rate of only 40.9 percent of optimal collections based on a parking meter in-service rate of 85 percent, or \$2.21 per day per meter instead of \$5.40 per meter per day. Although it can be expected that the introduction of electronic parking meters will improve the collection of revenue, other measures can also be implemented to increase the parking meter revenues to the City even further and to increase the availability of short-term parking.

The Department should consider all options in its pending RFP that would both implement the replacement of its current meter inventory with electronic meters and streamline the current operations of its Parking Meter Program. We estimate that our recommendations, in addition to the conversion to electronic meters, will provide a net increase of \$2.9 million annually.

The improper use of Disabled Persons Parking Placards (DPP) has significantly reduced the potential revenue from parking meters. A disabled placard user may park at most parking meters in the City free of charge for the entire day and therefore may reduce the annual revenue from parking meters by an estimated \$4.6 million per year. We suggest several steps to mitigate this revenue loss, including:

- The DPT Enforcement Division should maintain its number of enforcement units to its normal strength of two teams, thus increasing its current effort by 100 percent;
- DPT should increase public awareness by expanding efforts to involve the public in providing tips on the misuse of disabled person's placards. This expansion

would increase the amount of information provided to the uniformed PCO teams and would relieve them from some of their time-consuming work, such as initially locating potential violations of the use of such placards;

- DPT should consolidate all of the DPT citations appeals onto one day of the week and to a limited number of hearing officers who would become more familiar with the various appeals and the work of the individual enforcement teams;
- DPT should provide information to the PCO units on those citation appeals that have been ruled in favor of the placard holder. This procedure will provide the PCOs with valuable information as to the reasonableness of the enforcement practices and the thoroughness of documentation for each a citation issued for the misuse of a disabled placard; and,
- DPT should work with our State representatives for changes in State legislation that would make for more equitable provisions, including (a) putting a limit on the number of consecutive hours that a placard user can occupy a parking space, and (b) making it more difficult for placard holders who have had their placards confiscated to be able to immediately obtain a replacement from the Department of Motor Vehicles.

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

The contract for parking citation processing now being implemented by DPT and PRWT Services, Inc. includes no guarantees that projected net revenue increases will be achieved. If the contractor fails to meet the increased revenue collections, the result could be either a reduced expected net gain to the City, no net gain to the City, or even a reduction in net revenue to the City.

DPT should implement specific contract monitoring procedures and management controls to measure the effectiveness of the PRWT Contract for parking citation processing.

The contract should be continuously evaluated to determine whether projected collection rates are being realized and whether new revenues exceed the cost of contractual services.

Additional controls should be put in place to determine whether the contractual services are meeting customer service improvement objectives and achieving expected improvements to parking enforcement.

Section 6 Adult School Crossing Guard Program

The Adult School Crossing Guard (ASCG) Program operated by the Department of Parking and Traffic provides 143 adult crossing guards to protect elementary school children from traffic hazards when going to or from public, private, and parochial schools across streets in accordance with the specific criteria set forth in the State Department of Transportation Traffic Manual.

The ASCG Program is managed by one 1406 Principal Clerk, with administrative support from one half-time 8201 Crossing Guard, which are both inappropriate classification assignments for Program responsibility. The Program's management and supervision is understaffed. As a result, the ASCG Program is poorly managed and there is no attendance monitoring or field supervision of crossing guards.

The ASCG manual clearly states that crossing guards do not check in with DPT upon arrival for work and, since DPT is unable to conduct field supervision due to limited Program staffing, DPT has no knowledge of whether guards are present or performing properly. The manual states that "You will not be required to report to anyone either in person or by telephone. We will assume that you have gone to your crossing on time, fully equipped and ready for duty." The lack of supervision has created the potential for payroll fraud, poor service delivery, and liability exposure for the City.

In order to improve program management, reduce the City's liability and provide the service expected by the public, DPT should request a Department of Human Resources review of the 1406 Clerk classification for the ASCG Program Manager position, reclassify a 8201 Crossing Guard working on administrative tasks to an administrative support classification, and fill a vacant 1404 Clerk position authorized in the FY 1998-99 budget. Such staff changes would provide the appropriate skills needed to manage the program and to conduct other needed management duties such as: (1) Establish an MOU for cost sharing with private and parochial schools, (2) Train schools to report attendance and guard misconduct to DPT, (3) Improve crossing guard recruitment, and (4) Establish policies and procedures for monitoring school crossing guard attendance through coordination with Parking Control Officers.

Section 7 City-Owned Parking Garages

In 1993, the Budget Analyst conducted a comprehensive performance audit of the City-Owned Parking Garages which contained 35 recommendations. As part of this current performance audit of the Department of Parking and Traffic, we reviewed the status of the findings and recommendations contained in that prior audit. We

found that DPT has implemented many of the recommendations. Since 1994, parking garage revenues have increased, operating costs have been kept under control, and many improvements to the City-owned parking garages have been made. However, certain important recommendations from the Budget Analyst's 1993 Performance Audit have not yet been fully implemented.

There are currently 18 City-owned parking garages in San Francisco. The facilities provide a total of approximately 14,600 parking spaces. The City contracts directly with the operators of 13 of the 18 parking facilities and leases five of the parking facilities to non-profit corporations.

Our review found that DPT has fallen behind in competitively bidding garage operator contracts when they expire. With regard to the garages leased to non-profit corporations, the operator contracts for such garages have not been competitively bid in 30 to 40 years. Competitive bidding of operator contracts is necessary to ensure that the City is obtaining the best possible service and maximizing revenues. DPT, together with the non-profit corporations where appropriate, should competitively bid each operator contract immediately. In addition, the existing garage operator contracts, which provide for a flat management fee and reimbursement of operating expenses payable to the garage operator, should be converted to fixed rate operator contracts, under which the operator agrees to a level of compensation based on a percentage of gross revenues to cover operating costs and profit when legally and financially feasible. Where a bid based on a percentage of gross revenues is not feasible, contracts should be bid based on a fixed level of compensation that covers operating expenses and profit.

In addition, DPT has not yet completed the conversion of leases to management-type operator contracts for all direct operation garages. Management-type operator contracts, which are based on a percentage of total revenue, are preferable to leases, which provide for a reimbursement of operator expenditures, because management contracts improve revenue control and prevent unnecessary legal expenses in case of operator default. Where legally possible and financially feasible, compensation of the garage operator should be based on a percentage of gross revenues rather than on the basis of a flat fee.

In order to reduce the amount of time required to conduct the operator contract bid process, DPT should submit to the Board of Supervisors a proposed ordinance to streamline the process to allow timely competitive bidding of such contracts, consistent with the procedures for other City leases. On April 19, 1999, the Board of Supervisors passed on first reading an ordinance implementing this recommendation.

Our review found that DPT has begun including more detailed performance specifications in its operator contracts with direct operation garages. Such performance specifications are needed to discourage operators from reducing services in order to increase profits. DPT should add detailed performance specifications, with penalty clauses, to all management contracts with all direct operation garage operators, covering garage personnel, security, maintenance, and signage. DPT should also ensure that performance specifications are being met by developing inspection checklists and conducting twice-monthly inspections.

We continue to recommend that operating expenses should be included in operator contract requirements for garages leased to non-profit corporations, instead of providing reimbursement for operating expenses. Further, the non-profits should include performance specifications and inspection checklists to ensure a satisfactory standard of service.

Our recommendations to implement performance specifications and checklist inspections for all of the garages; competitively bid all garage operating contracts in a timely manner; and implement a competitive bidding process for fixed rate contracts with the non-profit garage operators would achieve efficient garage operation, maintain satisfactory service levels, and maximize net revenues to the City.

Based on the findings and conclusions outlined above, the Budget Analyst has presented 49 detailed recommendations in this performance audit report. The detailed recommendations are presented at the end of each of the sections and subsections with a summary of the benefits, including increased revenues and reduced costs, of implementing the recommendations. Our recommendations are listed below.

SUMMARY OF RECOMMENDATIONS

Section 1.1 Parking Control Officer Productivity

DPT Administration should:

- 1.1-1 Complete the Department-wide Policies and Procedures Manual, which should contain specific penalties against employees who fail to comply with Departmental attendance standards.

The Enforcement Director should:

- 1.1-2 Consistently and regularly enforce the Department's and/or Enforcement Division's policies and procedures regarding employee attendance.

- 1.1-3 Consider implementing incentive programs, such as the Police Department's Wellness Program, in order to reward employees for showing up to work.
- 1.1-4 Establish a goal to reduce absenteeism (excluding vacation, holidays, compensatory time off, and family leave) among PCOs by at least 25 percent.

Section 1.2 Parking Control Officer Deployment

The DPT Enforcement Director should:

- 1.2-1 Evaluate opportunities to formally consolidate and/or restructure General Enforcement beats.
- 1.2-2 Redeploy PCOs in order to provide more consistent coverage of General Enforcement beats throughout the day and on weekends.
- 1.2-3 Improve the Enforcement Division's coverage of Residential Permit Parking areas on weekday evenings and weekends.
- 1.2-4 Request funds in DPT's FY 199-2000 budget for overtime to provide special event coverage.

Section 2 Workers Compensation

The Executive Director should:

- 2.1 Request additional funding of \$68,412 in FY 1999-2000 for a limited tenure Claims Adjuster position dedicated to handling DPT's workers compensation claims.
- 2.2 Request additional funding of \$28,500 in FY 1999-2000 to conduct training for managers and supervisors on workers compensation, modified duty and related issues.
- 2.3 Request additional funding of \$107,650 in FY 1999-2000 for temporary salaries to create temporary modified duty assignments for injured employees eligible for the Modified Duty Program.
- 2.4 Request additional funding of \$36,000 in FY 1999-2000 to conduct Worksite Ergonomic Analyses so that more specific information regarding position requirements can be provided to physicians who treat injured employees.

- 2.5 Proceed with the Special Assistant's plan to develop performance standards to evaluate the performance of managers and supervisors in controlling workers compensation expenditures.
- 2.6 Proceed with the Special Assistant's plan to distribute workers compensation claims and expenditure information to managers and supervisors on a regular basis.
- 2.7 Proceed with the Special Assistant's plan to develop an incentive program to reward managers and supervisors for reducing workers compensation costs.
- 2.8 Request additional funding of \$47,921 in FY 1999-2000 for an additional 0.5 FTE Safety Analyst position.
- 2.9 Continue to dedicate the existing Special Assistant to the Director to coordinating and implementing a Workers Compensation Cost Containment Plan.
- 2.10 Establish a goal of reducing the growth rate in workers compensation expenditures from an average of 15 percent annually to 5.0 percent annually over the next five fiscal years.

The Mayor's Office and the Board of Supervisors should:

- 2.11 Approve DPT's requests for additional funding for controlling workers compensation costs in FY 1999-2000 through FY 2001-02.
- 2.12 After FY 2001-02, approve continued funding for DPT's Workers Compensation Cost Containment Plan based on DPT's ability to demonstrate reductions in its workers compensation expenditures.
- 2.13 Direct the Workers Compensation Division, the Retirement Board and other City departments to perform an analysis comparing the cost of industrial disability retirements with the costs and benefits of utilizing injured employees in a modified duty capacity.
- 2.14 Direct the Workers Compensation Division and the Retirement Board to establish protocols for determining whether an employee can be granted an Industrial Disability Retirement, in order to enable City departments to make greater use of the Industrial Disability Retirement provisions of the Charter.
- 2.15 Evaluate and consider recommendations for improvements to the City's current strategies for controlling workers compensation costs Citywide.

Section 3 Fleet Management

The Executive Director should:

- 3.1 Implement a vehicle replacement program for all DPT vehicles and request funding in DPT's FY 1999-2000 budget to fund this program.

The Enforcement Director should:

- 3.2 Consider expanding the use of less costly subcompact Geo Metro vehicles instead of 3-wheel vehicles in the Enforcement Division's fleet.
- 3.3 Appoint one PCO Supervisor per shift to have access to the vehicle equipment room, to monitor vehicle assignments and returns, and to complete Daily Vehicle Assignment Reports when fleet management staff are off-duty.
- 3.4 Develop a system to ensure that PCOs are tracking vehicle mileage and bringing in their vehicles for preventive maintenance when necessary.

The Mayor and the Board of Supervisors should:

- 3.5 Approve funding in FY 1999-2000, and in subsequent years, for a vehicle replacement program for DPT's entire vehicle fleet.

Section 4 Parking Meter Program

The Department of Parking and Traffic should:

- 4.1 Fill six vacant positions in the Parking Maintenance and Repair Units so that the Parking Meter Repair Division is at full strength. These include four Parking Meter Repairers in the Maintenance Unit and two Machinists in the Repair Unit;
- 4.2 Update written policies and procedures for the Parking Maintenance and Repair Units so that the Parking Meter Repairers and Maintenance Machinists know exactly what is expected in the performance of their duties.
- 4.3 Order replacement parts that would give priority to useful life as well as to the replacement parts overall cost.
- 4.4 Add one position, Class 1842 Management Assistant, to assist the Parking Meters Collection Manager with the duties associated with collections operations and parking meter security.

- 4.5 Implement recommendations in this section to streamline the current operation of the Disabled Person's Placard Enforcement Program.
- 4.6 Consider other aspects of the City's Parking Meter Program in the preparation of a Request for Proposal for replacing all existing mechanical meters with electronic meters. These considerations would include privatizing the maintenance and repair functions of the Parking Meter Program.

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

- 5.1 DPT should compile the necessary data and develop monthly and annual reports providing comparisons with pre-PRWT contract performance as measured by the number of parking citations issued, the number of citations collected and overall rates of collection.
- 5.2 DPT should develop similar monthly and annual reports providing comparisons for out-of-state and special collection revenues.
- 5.3 DPT should monitor and evaluate improvements resulting from increased enforcement (such as identification of stolen and abandoned vehicles and parking "scofflaws") and improvements to customer service (reductions in time and effort responding to citizen inquiries, more efficient and timely service to citizens paying or protesting citations).

Section 6 Adult School Crossing Guard (ASCG) Program

- 6.1 DPT should upgrade the classification for ASCG Program Manager from the 1406 Clerk currently assigned to a higher classification, for example, an 1842 Management Assistant, and the 8201 Crossing Guard should be reclassified to an appropriate classification for field supervision and administrative support.
- 6.2 Establish a Memorandum of Understanding for sharing costs of the expanded ASCG Program between DPT and the private and parochial schools which benefit from the Program. The MOU should assign responsibility for attendance-taking to the schools.
- 6.3 Train schools to report attendance and crossing guard misconduct to DPT.
- 6.4 Improve and expand recruitment of crossing guards to fill vacant positions.

- 6.5 Develop policies and procedures to reduce absenteeism of crossing guards, including using PCOs to monitor crossing guard attendance.

Section 7 City-Owned Parking Garages

The Parking and Traffic Commission should:

- 7.1 Complete the conversion from leases to management contracts with garage operators for all direct operation garages. Where legally possible and financially feasible, compensation of the operator should be based on a percentage of gross revenues rather than on the basis of a flat fee.
- 7.2 Include detailed performance specifications, with penalty clauses, in all management contracts with all direct operation garage operators, covering garage personnel, security, maintenance, and signage.
- 7.3 Direct the DPT Off-Street Parking Division to monitor direct operation garage compliance with performance specifications through twice-monthly checklist inspections, and submit six month reports to the Parking and Traffic Commission on operator performance and revenues.

DPT together with the Non-profit Parking Corporations should:

- 7.4 Convert the existing parking operator contracts, which provide for a flat management fee and reimbursement of operating expenses, to fixed rate operator contracts, under which the operator agrees to a level of compensation based on a percentage of gross revenues to cover operating costs and profit when legally and financially feasible. Where a bid based on a percentage of gross revenues is not feasible, contracts should be bid based on a fixed level of compensation that covers both operating expenses and profit.
- 7.5 Competitively bid the existing fixed rate operator contracts on a regular basis, at least every five years, starting immediately.
- 7.6 Include detailed performance specifications and reporting requirements with penalty clauses in all contracts with operators.
- 7.7 Direct staff to monitor compliance with performance specifications, and report to the Parking and Traffic Commission every six months on operator performance and revenues.

Finally, a written response from the Executive Director of Parking and Traffic is appended to our report beginning on page 105, as well as comments from the Budget Analyst regarding the DPT response beginning on page 113. In general, the

April 22, 1999

Page 16

DPT response states that the department concurs with many of the Budget Analyst's recommendations and disagrees with some. However, in many instances, the department does not describe the steps that will be taken to implement recommendations and does not comment on major sections of the report, such as deployment of enforcement personnel. The Department's response is annotated in order to key the response to further comments by the Budget Analyst.

DPT's response states that, based on its own analysis of paid sick days taken since July 1, 1998, paid sick leave represents only 3.9 percent of its payroll expense, which translates to an average of 10.1 days per PCO per year and which meets DPT's "competent and effective" attendance standards. However, DPT fails to take into account the other types of leave that are contributing significantly to absenteeism and lost productivity. For example, workers compensation, which represents 35 percent of all absences, results in 5,955 absences per year, or an average of 22 absences per PCO. In addition, there are 2,282 absences due to unpaid sick and State disability leave per year, or an average of nine absences per PCO per year. Overall, each PCO misses an average of 41 workdays per year, in addition to absences due to vacation, holidays, compensatory time off, and family leave. As a result, as cited in our report, 60 percent of PCOs fall below acceptable attendance standards.

The DPT response states that the "potential daily average revenue of \$5.41 per meter proposed in the performance audit is an overly optimistic number." Our report does not "propose" such a revenue per meter. The optimal daily average revenue of \$5.41 per meter used in our report is a benchmark figure of potential revenue reflecting an assumption that 85 percent of the parking meters are in working order and 15 percent are in need of repair. Comparing the collections per meter for San Francisco with the Cities of New York and Chicago, as DPT has done, is a useless exercise unless similar benchmarks are provided for those jurisdictions. Our projected revenue benefit from improving parking meter repair practices is based on an extremely modest \$0.50 per meter increase in collections. Such benefits can be achieved regardless of whether the City continues with the use of mechanical parking meters or, as DPT has proposed for over two years, actually implements a conversion to electronic parking meters.

The DPT response states that the number of meters in the City has increased by 16 percent and that the number of meter repairer positions has decreased in recent years. In light of the parking meter repair workload and increased number of meters mentioned in the Department's response, we cannot understand why 25 percent, or four of 16 meter repairer positions were vacant for up to eight months, as described in our report. We have been informed that DPT has recently hired provisional employees for these vacancies.

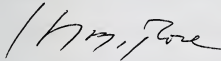
April 22, 1999

Page 17

The DPT response states that the City would have to maintain 46,000 parking meter keys to implement our recommendation. Our recommendation is to use the same number of keys needed for the collection route but to make the key selection random for each block. The City does not need to increase the number of keys to open the parking meters. The City in effect has at the present time a random key system for each collection route, but for many of the blocks within the collection route, the same key is currently used. With regard to movement of coin canisters, the DPT states that we failed to consider parking meter theft and the use of illegally made parking meter keys. To the contrary our recommendations were developed in consideration of the theft problem and would increase the time needed for such theft and limit the number of meters on a particular block that could be opened by unauthorized persons as a deterrent.

The Budget Analyst would like to acknowledge and thank the management and staff of the Department of Parking and Traffic for their cooperation during the course of this performance audit. Without their willing assistance, our task would have been much more difficult.

Respectfully Submitted,



Harvey M. Rose
Budget Analyst

cc : Supervisor Becerril
Supervisor Brown
Supervisor Bierman
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Supervisor Yee
Clerk of the Board

Mayor Brown
Stuart Sunshine
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey

TABLE OF CONTENTS

Introduction	1
Section 1 – Enforcement	6
1.1 – Parking Control Officer Productivity	11
1.2 – Parking Control Officer Deployment	20
Section 2 – Workers Compensation	30
Section 3 – Fleet Management	47
Section 4 – Parking Meter Program	60
Section 5 – Implementation of the PRWT Contract for Parking Citations Processing	76
Section 6 – Adult School Crossing Guard Program	83
Section 7 – City-Owned Parking Garages	91
Written Response from Department of Parking and Traffic	105
Budget Analyst Comments Concerning the Department of Parking and Traffic's Response	113

INTRODUCTION

The Budget Analyst of the City and County of San Francisco has performed this *Performance Audit of the San Francisco Department of Parking and Traffic (DPT)* pursuant to direction received from the Board of Supervisors under the authority granted by Charter § 2.114.

Project Scope

The scope of this performance audit included a comprehensive audit survey and selection of specific subject areas for detailed examination and analysis.

In addition, the Budget Analyst performed a follow-up review of the status of findings and recommendations resulting from our separate performance audit of City Parking Garages, which we conducted in 1993.

Methodology

This *Performance Audit of the DPT* was performed in accordance with standards developed by the United States General Accounting Office, as published in *Government Auditing Standards, 1994 Revision* by the Comptroller General of the United States. Accordingly, this performance audit included the following basic elements in its planning and implementation:

Entrance Conference: An entrance conference was conducted with the DPT Executive Director and management staff to discuss the performance audit scope, procedures, and protocol.

Pre-Audit Survey: A pre-audit survey was conducted to familiarize the performance audit staff with the operations of the DPT, interview upper management, and collect basic documentation regarding DPT operations. As a result of the work completed as part of this pre-audit survey, areas of DPT operations requiring additional review and analysis were identified.

Field Work: Field work was conducted in the specific areas which we determined would be included in this study. Middle managers, supervisors, and line personnel were interviewed to obtain details regarding DPT operations. In order to complete the analysis contained in this report, we also conducted extensive sampling of DPT records.

Analysis and Preparation of Draft Report: At the conclusion of the field work phase of this study, we conducted detailed analyses of the information collected. Based on these analyses, we prepared our findings, conclusions, recommendations, and estimates of costs and benefits from implementation of our recommendations. This

analysis was incorporated into a draft performance audit report, which was then provided to the DPT for review.

Exit Conference and Preparation of the Final Report: An exit conference was held with the Executive Director and other upper managers of the DPT to review the details of the report, and to identify any areas of the report requiring clarification or correction. Based on this exit conference, and further discussions, we considered the comments and clarifications provided by DPT management and this final report was prepared and issued to the Board of Supervisors.

Current Organization, Budget and Staffing of the Department of Parking and Traffic

The primary operating divisions of the DPT are:

- Enforcement and Parking Services – including Enforcement, Citations Division, Residential Permit Parking and Adult School Crossing Guards;
- The Bureau of Traffic -- including Traffic Engineering and Traffic Operations; and,
- The Parking Authority – which oversees and operates City-owned Parking Garages.

Other operating and support functions include Administrative Hearings, which adjudicates parking citations, and the Budget and Finance Bureau which includes Personnel and Information Services.

The total Fiscal Year 1998-99 budget of the Department of Parking and Traffic is \$53,352,523, funded from the following sources:

General Fund	\$31,653,880
Offstreet Parking Fund	10,516,467
Road Fund	8,654,079
Project/Grant Funds	<u>2,528,097</u>
Total	\$53,352,523

The budget summarized above does not include a General Fund reserve in the amount of \$1,660,000 for the electronic parking meter replacement program. As discussed in this report, these funds will not be expended in the current Fiscal Year because the DPT is now preparing a request for proposals to implement the electronic parking meter program through the use of contractual services.

FY 1998-99 expenditures and budgeted programs are displayed below.

Departmental Administration	\$ 2,646,163	5.0%
Enforcement	23,070,069	43.2%
Parking	12,170,304	22.8%
Parking Citation Division	8,262,833	15.5%
Residential Permit Parking	593,478	1.1%
Traffic Engineering and Operations	8,759,676	16.4%
Departmental Transfer Adjustment	<u>(2,150,000)</u>	<u>-4.0%</u>
Total	\$ 53,352,523	100.0%

The DPT budget includes 638.1 funded positions, distributed among budget programs in accordance with the following table.

Departmental Administration	24.5	3.8%
Enforcement	378.7	59.3%
Parking	36.0	5.6%
Parking Citation Division	61.0	9.6%
Residential Permit Parking	11.0	1.7%
Traffic Engineering and Operations	<u>127.0</u>	<u>19.9%</u>
	638.1	100.0%

As can be seen from the table above, the vast majority of the DPT's personnel are assigned to enforcement. Of the Enforcement Program's 378.7 total positions, 337 are Parking Control Officers (305), Senior Parking Control Officers (27) and Parking Enforcement Superintendents (5).

Accomplishments

Performance audits by nature focus on opportunities for service improvements, greater operational efficiencies and enhanced effectiveness. We must note however, that the Department of Parking and Traffic should be commended for its accomplishments as well. This report includes many examples of such accomplishments.

In addition, it should be recognized that the DPT is in the middle of a process of significant change and faces many challenges. Early in 1998, a new Executive Director was appointed for the DPT, the Department's seventh (including interim Executive Directors) since its formation approximately ten years ago.

In July, 1998, the Budget Analyst presented a detailed report to the Board of Supervisors Finance Committee concerning a proposed contractual agreement with a private vendor to provide parking citation processing services. The

implementation of the contract and resulting significant changes in departmental operations, which have been ongoing during our performance audit project, are discussed in Section 5 of this report.

In January the DPT received Board of Supervisors approval to accept and expend \$3.54 million in Federal grant funds for implementation of the first phase of a state-of-the-art Integrated Transportation Management System (ITMS). The ITMS is intended to use “intelligent transportation technology” to provide significant, measurable improvements to enhance traffic safety, improve transit operations, reduce congestion and travel time, improve responsiveness to special events and/or incidents, keep travelers informed of traffic conditions, and enhance operations and communication among DPT, CalTrans, the Department of Public Transportation (Muni) and other transit and transportation agencies.

The ITMS will include many technological innovations including:

- Automated traffic volume and congestion monitoring;
- Remote monitoring (closed circuit television cameras) to provide real-time data collection at key intersections and on critical street segments;
- Variable message signs, internet displays and direct links to the media to disseminate information concerning street closures, roadway construction, parking availability, and alternate routes;
- Automated traffic signal operations that would detect signal malfunctions and notify maintenance personnel of such malfunction, thereby decreasing repair response time and improving traffic safety and flow.

DPT estimates that implementation of the ITMS project on a City-wide basis will eventually cost \$43,000,000.

Also, as mentioned above, DPT will soon be submitting a proposal to the Mayor and the Board of Supervisors for installation of electronic parking meters City-wide and implementation of related operational systems. This proposed project is further described in Section 4 of our report.

Organization of this Report

This performance audit report is organized into seven sections.

The subject areas addressed herein are as follows:

Section 1 – Enforcement

1.1 – Parking Control Officer Productivity

1.2 – Parking Control Officer Deployment

Section 2 – Workers Compensation

Section 3 – Fleet Management

Section 4 – Parking Meter Program

Section 5 – Implementation of the PRWT Contract for Parking Citations Processing

Section 6 – Adult School Crossing Guard Program

Section 7 – City-Owned Parking Garages

Acknowledgements

The Budget Analyst would like to acknowledge and thank Executive Director Stuart Sunshine, his deputy directors and the management and staff of the Department for their cooperation and willing assistance during this performance audit

Without the assistance and cooperation of all members of the Department of Parking and Traffic who we worked with, our task would have been extremely difficult.

Section 1 Enforcement

As part of the Budget Analyst's performance audit of the San Francisco Department of Parking and Traffic (DPT), we reviewed the deployment policies and practices, as well as the availability of Parking Control Officers (PCOs) to work their scheduled assignments in the Enforcement Division. With 354 personnel, the Enforcement Division has the greatest and most consistent exposure to the general public.

As part of this analysis, we examined (a) whether DPT's current deployment practices result in sufficient enforcement of parking regulations throughout the City; (b) whether planned/budgeted staffing levels are adequate to meet the Department's objectives with regard to enforcement; and (c) the effect of absenteeism on the deployment of PCOs. To accomplish these objectives, we:

- Reviewed organizational charts, budget documents, and performance measures for the Enforcement Division;
- Interviewed top managers in the Enforcement Division, including the Bureau Chief, Enforcement Director, and the four Assistant Directors, as well as other key supervisors and staff;
- Obtained and examined beat maps and descriptions of PCO assignments;
- Went on a ride-along with a PCO during his regular shift;
- Obtained information from managers and supervisors on daily staffing requirements and general deployment practices;
- Reviewed current PCO assignments by beat, shift, and day of week;
- Reviewed Department-wide and Enforcement Division policies and procedures manuals; and
- Collected and analyzed PCO attendance records for 14 randomly selected pay periods over a two year period (from July 1, 1996 through June 30, 1998).

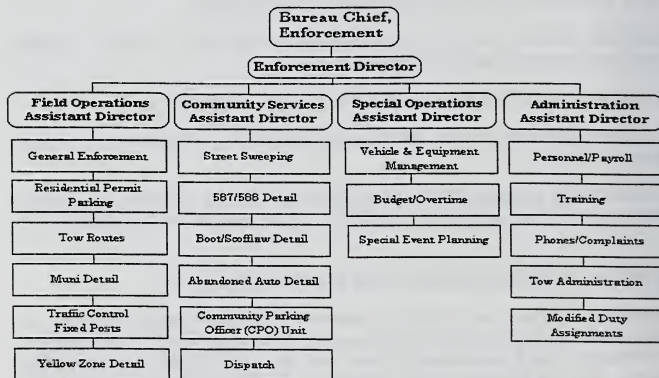
Organization, Management, and Current Staffing

Enforcement Services, one of the five bureaus of the Department of Parking and Traffic, is headed by the Chief of the Bureau of Enforcement and is separated into two divisions: the Enforcement Division and the Adult School Crossing Guard Program. The San Francisco Police Department (SFPD) work orders funds to DPT to pay for one full-time Q60 Lieutenant, who serves as the Enforcement Director. The Enforcement Division is further divided into four units: Field Operations,

Community Services, Special Operations, and Administration, each of which is headed by an Assistant Director of Enforcement who reports to the Enforcement Director and the Bureau Chief. Each Assistant Director is responsible for the management and supervision of up to 13 8216 Senior Parking Control Officers (Supervising PCOs) and/or other clerical and support staff. Supervising PCOs oversee individual details or are assigned to specific geographic areas of the City to supervise PCOs within that area.

PCOs in the Field Operations Unit are assigned to general enforcement, residential permit parking enforcement, Muni-related enforcement, tow routes, yellow zones, and downtown traffic control. Community Services consists of special units for street sweeping, abandoned vehicles, scofflaws and dispatch, and also responds to complaints from the public (the "587/588" Detail). Special Operations handles vehicle and equipment management, budget/overtime planning, and special event planning. Administration handles personnel, payroll, training, tow administration, phones, and modified duty assignments. Exhibit 1.1 below is an organization chart showing the management structure and functions of each unit within the Enforcement Division.

Exhibit 1.1
Management Structure and Functions of
DPT's Enforcement Division



Descriptions of each PCO field assignment are as follows:

- Morning and afternoon Tow Routes: PCOs ride ahead of tow trucks in order to cite and tow vehicles illegally parked in am and pm towaway zones.
- General Enforcement: Includes enforcement of parking meter regulations, double parking, bus and yellow zones, etc. PCOs assigned to tow routes during morning or afternoon commute hours are assigned to General Enforcement beats for the remainder of their shifts.
- Residential Permit Parking: PCOs "chalk" (i.e., mark) and issue citations to vehicles without residential permit parking permits that have exceeded posted time limits.
- Muni Detail: PCOs ride ahead of buses in the most congested areas of the City, citing drivers who park in bus zones or otherwise block traffic along bus routes.
- Traffic Control Fixed Posts: PCOs control traffic downtown, preventing vehicles from blocking busy intersections. Assignment to the Muni Detail is usually combined with a Traffic Control Fixed Post assignment in the afternoon.
- Yellow Zone Detail: PCOs ride in tow trucks to cite and tow vehicles that are parked in delivery (yellow) zones.
- Street Sweeping: PCOs drive ahead of DPW street sweeping vehicles and issue citations to cars illegally parked in street sweeping zones.
- 587/588 Detail: PCOs issue citations and request vehicle tows in response to complaints from the general public regarding blocked driveways, parking on sidewalks, etc.
- Boot/Scofflaw Detail: PCOs identify vehicles with five or more unpaid citations and either boot or tow such vehicles.
- Abandoned Auto Detail: PCOs respond to reports of abandoned vehicles and have them towed.
- Community Parking Officer (CPO) Unit: A new unit that addresses persistent parking and traffic problems in certain areas of the City.

In total, there are 253 PCOs assigned to the functions described above, plus an additional 12 PCOs assigned to administrative duties, for a total of 265 PCOs. The FY 1998-99 Annual Salary Ordinance authorizes a total of 305 Parking Control Officers for the Enforcement Division. The difference of 40 positions between the 305 authorized PCO positions and the 265 assigned PCOs results from (a)

approximately 34 PCOs who are currently on long-term disability or sick leave with an unknown date of return, and are therefore considered unavailable for a regular assignment; and (b) six vacant PCO positions. Thus, only 265 of 299 filled PCO positions are assumed to be available for deployment. Additionally, there are currently 26 filled Supervising PCOs positions.

Table 1.1 below shows a breakdown of PCO positions and Supervising PCO positions by assignment.

Table 1.1
PCOs and PCO Supervisor Positions by Unit/Assignment

	Supervising		Total
	PCOs	PCOs	
Field Operations:			
General Enforcement/Tow Routes	78	7	85
Residential Permit Parking	38	3	41
Yellow Zone Detail	2	1	3
MUNI Detail/Traffic Control Fixed Posts	26	2	28
Total - Field Operations	144	13	157
Community Services:			
Street Sweeping	49	4	53
587/588 Detail	33	3	36
Community Parking Officer (CPO) Unit	14	1	15
Boat/Scofflaw Detail	6	1	7
Abandoned Auto Detail	7	-	7
Dispatch	4	2	6
Total - Community Services	113	11	124
Special Operations:			
Vehicle & Equipment Management	4	-	4
Total - Special Operations	4	-	4
Administration:			
Phones/Complaints	2	-	2
Tow Administration	2	-	2
Training	-	1	1
Office Manager	-	1	1
Total - Administration	4	2	6
Total - Assigned Staff	265	26	291
Unassigned Staff (Long-term Leave)	34	-	34
Total - Filled Positions	299	26	325
Vacancies	6	1	7
Total - Authorized Positions	305	27	332

In addition to the 332 authorized PCO and Supervising PCO positions shown above, there are 33 other authorized positions in the Enforcement Division, consisting of six management positions, 18 Dispatchers, and nine clerical and support positions,

for a total of 365 authorized positions. Of the 365 authorized positions, 354 are currently filled, consisting of six managers (one Bureau Chief, one Enforcement Director and four Assistant Directors), 26 Supervising PCOs, 299 PCOs, 16 Dispatchers, and seven clerical and support staff.

Based on our review and analysis of the operations of the Enforcement Division, we found that DPT is unable to provide an adequate level of enforcement services throughout the City for two principal reasons: (a) high absenteeism among Parking Control Officers; and (b) the failure of DPT to schedule a sufficient number of PCOs to meet its minimum staffing requirements or to adequately enforce parking regulations during all periods when coverage is needed.

This section of the report is divided into two subsections, consisting of two findings and eight recommendations. These subsections are:

- Section 1.1: Parking Control Officer Productivity
- Section 1.2: Parking Control Officer Deployment

Implementation of our recommendations would improve the enforcement of parking and traffic regulations throughout the City, thereby resulting in increased turnover of parking spaces, reduced traffic congestion, and better response to complaints from the public. In addition, DPT could generate potential additional revenues of between \$4.3 million and \$8.4 million annually.

1.1 Parking Control Officer Productivity

- Based on our analysis, we found that DPT is unable to provide an adequate level of enforcement services throughout the City primarily because of high absenteeism among PCOs.
- On average, approximately 25 percent of PCOs are not available to work their scheduled shifts on any given day. This is the equivalent of 65 PCOs who are unavailable for work over the course of an entire year. Even when vacation, compensatory time off, holidays, and family leave are excluded, PCO absenteeism results in 12,157 lost days per year, or the equivalent of 47 PCOs. The total cost to the City of PCO absenteeism is nearly \$9.7 million annually.
- In addition, we found that policies and procedures regarding attendance are not enforced consistently. As a result, 60 percent of PCOs do not meet acceptable standards for attendance. There is also strong evidence indicating the abuse of paid sick leave.
- DPT should formally establish and consistently enforce employee attendance standards and consider implementing incentive programs to reward employees for showing up to work. By reducing absenteeism, DPT could add the equivalent of between 11 and 32 PCOs, which would improve the enforcement of parking and traffic regulations throughout the City and result in increased turnover of parking spaces, reduced traffic congestion, and better response to complaints. Also, additional revenues of between \$2.1 million and \$6.2 million could be generated annually.

Based on our analysis, we found that the Enforcement Division is unable to provide an adequate level of enforcement services throughout the City primarily because of high absenteeism among PCOs. If absenteeism were reduced, significantly more PCOs would be available for work, thereby increasing the level of enforcement services that could be provided.

In order to more closely examine PCO absenteeism, we first attempted to quantify the level of PCO absenteeism and to identify the reasons behind it. To do so, we randomly selected 14 pay periods over the two-year period from July 1, 1996 through June 30, 1998, and obtained a listing of all PCO absences, by day, employee and type of absence, for each day of those 14 pay periods. In order to determine the number of scheduled shifts during this timeframe, we obtained copies of the scheduled PCO assignments in effect during the 14 pay periods. From this

data, we calculated a productivity factor for PCOs, i.e., the number of shifts actually worked divided by the number of shifts scheduled. In addition, we reviewed the Department's and Enforcement Division's existing policies and procedures for employee attendance.

Parking Control Officer Absenteeism

Using our database of PCO absences, we added up the number of all types of PCO absences, divided this figure by the number of scheduled shifts, and annualized the results. Based on our analysis, we found that approximately 25 percent of PCOs scheduled to work are absent from work on any given day. Even after factoring out PCOs who are on long-term disability and sick leave, we found that approximately 20 percent of PCOs with regular assignments are absent on any given day. In addition, we found that the highest level of absenteeism takes place on Fridays, Saturdays, and Sundays, indicating that PCOs scheduled to work on weekend days are more likely to be absent. Table 1.1-1 below shows the number and percentage of absences by type of absence and day of week.

Table 1.1-1
PCOs Absences by Day of Week and Reason,
Annualized (1996 - 98)

	MON	TUE	WED	THU	FRI	SAT	SUN	TOTAL	% of Absences by Type	FTEs
Total Scheduled Shifts	11,436	13,699	13,392	13,260	12,911	3,236	1,760	69,695		267
Anticipated Leave:										
Vacation & Comp. Time	563	677	636	755	889	231	121	3,872	22.7%	15
Equivalent & Floating Holidays	112	181	151	138	220	112	48	962	5.6%	4
Unpaid Family Leave	11	15	17	17	15	-	4	78	0.5%	0
Subtotal - Anticipated Leave	686	872	804	910	1,124	343	173	4,912	28.8%	19
Other Leave:										
Workers Comp. (Temporary Disability)	964	1,191	1,154	1,122	1,193	196	134	5,955	34.9%	23
Paid Sick Leave	576	537	639	615	606	142	91	3,207	18.8%	12
Unpaid Sick & State Disability Leave	336	434	472	468	380	119	73	2,282	13.4%	9
Unpaid Personal Leave	91	123	119	117	112	7	-	570	3.3%	2
Jury Duty, Military Leave, Suspension	30	30	28	17	15	11	2	132	0.8%	1
Unexcused Absence	-	4	2	2	4	-	-	11	0.1%	0
Subtotal - Other Leave	1,997	2,319	2,414	2,342	2,310	475	300	12,157	71.2%	47
TOTAL ABSENCES	2,683	3,192	3,218	3,251	3,434	818	474	17,069	100.0%	65
Absences as % of Scheduled Shifts	23.5%	23.3%	24.0%	24.5%	26.6%	25.3%	26.9%	24.5%		
Productivity Factor	76.5%	76.7%	76.0%	75.5%	73.4%	74.7%	73.1%	75.5%		202

Table 1.1-1 illustrates that workers compensation is the number one cause of absenteeism among PCOs, resulting in an estimated 5,955 lost days per year (the equivalent of 23 full-time PCOs). Additionally, authorized vacation and compensatory time off represents the second largest type of absence, followed by paid sick leave. Overall, the 17,069 absences per year represents the equivalent of 65 PCOs who are unavailable to work over the course of an entire year. However, it should be noted, that, given the nature of PCO work (e.g., outdoor work, the psychological and physical stresses of the job), a higher than normal absentee rate should be expected.

As shown in Table 1.1-1, if vacations, compensatory time off, holidays, and family leave are excluded, there are 12,157 absences annually (the equivalent of 47 PCOs), which represent 71 percent of total absences or 17 percent of scheduled shifts. Since each PCO generates an estimated \$194,502 per year in revenue, these 12,157 absences result in a loss of potential revenue of up to \$9,141,594 per year to the City ($\$194,502 \times 47$ PCOs). In addition, of the 12,157 absences, 3,207 absences (12 FTEs) represent paid sick leave. Thus, at an annual salary (including fringe benefits) for PCOs of \$48,907, this corresponds to \$586,884 in costs that the City is absorbing on an annual basis for paid sick leave. As such, the total cost to the City for these types of absences is \$9,728,478 annually ($\$9,141,594$ plus $\$586,884$).

PCO Attendance in Comparison to Departmental Attendance Standards

Each division within DPT has its own policies and procedures manual. The Enforcement Division's Policies and Procedures Manual, which was first issued in December of 1997, establishes attendance standards specifically for sick leave use, describes procedures for obtaining approval for anticipated absences, and specifies disciplinary actions that may be taken against employees who fail to follow policies and procedures. For example, employees with excessive sick leave use may be subject to counseling, sick leave restrictions (in which employees must provide a doctor's report certifying all periods of illness), suspension, and even dismissal, depending on the severity of the abuse. In addition, employees with excessive sick leave are ineligible to work overtime for a period of 90 days. While the manual also specifies penalties against employees with unexcused absences (AWOL), it does not establish overall attendance standards or penalties.

Based on our discussions with Enforcement Division managers, we found that these policies and procedures are inconsistently enforced. According to DPT, the Enforcement Division Administration prints out a list of all sick leave absences on a

semiannual basis, which is examined in order to identify potential abusers of sick leave. However, the last time any penalties were imposed as a result of such a review was in January of 1998. DPT reports that, although a list of all sick leave absences was generated in July of 1998 and warning letters were sent out to offenders, no penalties were imposed against any of the sick leave abusers identified.

In addition, as of the writing of this report, there was no Department-wide policies and procedures manual. However, we obtained a draft copy of a Policy and Procedures Manual which is currently being developed by DPT Administration. This manual contains a section on attendance, which includes attendance standards for evaluating overall employee attendance. Although the manual states that employees who fail to comply with attendance standards may be subject to disciplinary action, it does not mention any specific penalties, such as sick leave restrictions, suspension, and dismissal, which may be imposed upon such employees.

In order to evaluate PCO attendance, we compared PCO attendance data from our listing of PCO absences provided by the Enforcement Division to the proposed criteria established for attendance in the Department-wide Policies and Procedures Manual. These criteria, which are applicable to all absences except holidays, vacation, compensatory time off, and absences allowed under the Family Medical Leave Act (FMLA) and California Family Rights Act (CFRA), are as follows:

Table 1.1-2

Proposed Attendance Standards for DPT Employees

<u>Rating</u>	<u>No. of Absences per Year</u>
Outstanding	0 – 4 days
Exceeds Standards	4.1 – 8 days
Competent & Effective	8.1 – 13 days
Development Needed	13.1 – 14 days
Unacceptable	> 14 days

We added up the number of absences in our database for each individual PCO by type of absence. As noted earlier, excluding holidays, vacation, compensatory time off and family leave, there were 12,157 such absences (the equivalent of 47 PCOs who are unavailable for work over the course of an entire year). The mean number of such absences per PCO was 41 days per year, while the median was 19. The highest number of absences of 244 days (out of a possible 261 shifts) resulted from a PCO on workers compensation leave. A breakdown of the number of PCOs falling within each of the categories shown above is exhibited in Table 1.1-3 on the following page.

Table 1.1-3

**PCO Attendance as Measured Against DPT's Proposed
Attendance Standards**

Rating	No. of Absences per Year	No. of PCOs in this Category	% of PCOs
Outstanding	0 – 4 days	36	12%
Exceeds Standards	4.1 – 8 days	33	11%
Competent & Effective	8.1 – 13 days	48	17%
Development Needed	13.1 – 14 days	15	5%
Unacceptable	> 14 days	159*	55%
Total		291	100%

* This includes 83 PCOs on disability leave who had more than 14 absences in one year.

As illustrated in Table 1.1-3, over one-half (55 percent) of PCOs have unacceptable attendance ratings, and an additional five percent of PCOs fall into the category of "Development Needed", for a total of 60 percent of PCOs who do not meet acceptable standards for attendance.

Sick Leave Abuse

The Department-wide Policies and Procedures Manual lists certain factors which may be considered by supervisors when evaluating employee attendance, including:

- Whether absenteeism is occurring in conjunction with other days off;
- Whether there appears to be patterns of sick leave usage (e.g., sick days adjacent to regularly scheduled days off, holidays, etc.); and
- Whether the employee is persistently overstaying vacations, holidays, and other excused absences.

Using our database of PCO absences, we examined the use of paid sick leave by PCOs in relation to other excused absences and regularly scheduled days off. Based on our analysis, we found that 964 paid sick days, or 56 percent of the 1,720 paid sick days taken, were taken on days adjacent to regularly scheduled days off, holidays, or vacation days. For example, paid sick days were often taken on Fridays and Mondays by PCOs who normally had Saturdays and Sundays off. In addition, PCOs often used paid sick leave to extend their vacations and holidays. The high percentage of sick leave that fell on days adjacent to regularly scheduled days off,

holidays, and vacation days, strongly indicates that paid sick leave is being abused by PCOs.

Other Factors Affecting PCO Productivity

As part of this analysis, we also examined PCO performance and the measures that are in place to track it. PCOs are required to fill out a "PCO Daily Report", on which each PCO must report the number of hours spent during his/her shift performing different types of activities, e.g., patrol, tow routes, travel, breaks, etc. In addition, this form provides space for each PCO to record all the citations issued (by type of violation) during his/her shift, in one-hour intervals. PCOs hand in the forms at the end of their shifts to PCO Supervisors for their review.

This method of measuring PCO performance is inadequate, however, because PCOs are required to report their activities in only one-hour intervals. Thus, it is difficult to determine whether a PCO has been working consistently throughout his/her shift, or if, for example, a PCO has issued citations during only the first five minutes of each one-hour interval, and then was unproductive for the rest of the hour. In addition, the process of hand-writing tickets has led to a high number of contested citations resulting from PCO errors and/or illegibility.

The Department is now in the process of equipping each PCO with electronic handheld ticket writing devices, which will eventually replace the conventional method of hand-writing each citation. As of the writing of this report, approximately 120 PCOs had been trained in the use of these devices. The Department expects that all PCOs will be trained to use the handheld devices by May 1, 1999. In addition to allowing PCOs to generate tickets electronically, the new devices will enable Enforcement Division managers and supervisors to generate reports that can be used to improve the tracking of PCO performance. For example, PCO Supervisors will be able to generate reports showing the exact time at which tickets were issued by a particular PCO during his/her shift. Thus, a PCO Supervisor could confirm whether or not a particular PCO was issuing citations during only a small portion of each one-hour interval. The improved monitoring of PCO activity will act as an incentive for certain PCOs to improve their productivity, or else face disciplinary action. In addition, electronically generated citations will reduce the number of tickets that are contested due to PCO errors and/or the illegibility of a PCO's handwriting.

Other Opportunities for Improvement

In order to reduce the level of absenteeism among PCOs, DPT Administration should finish, as expeditiously as possible, the Department-wide Policies and Procedures Manual that is currently being developed. This manual, which was only in draft form when we reviewed it, should also be revised to establish specific penalties against employees who fail to comply with attendance standards. These department-wide policies and procedures for attendance should supercede all other existing policies and procedures regarding attendance, as delineated in other procedures and policies manuals maintained by each division throughout the Department.

In addition, DPT managers and supervisors, particularly in the Enforcement Division, need to actively and regularly enforce policies and procedures regarding attendance. Employee attendance should be tracked and evaluated on a quarterly basis, and all employees exceeding the acceptable number of absences during each quarter should be notified. Employees who consistently fail to meet acceptable attendance standards should be penalized.

DPT should also consider implementing incentive programs in order to reward employees for showing up to work. For example, the Police Department has implemented a "Wellness Program", under which sworn employees with accrued sick leave of at least 300 hours, who use 30 hours or less of sick leave in a given year, are entitled to cash out 50 hours of sick leave accrued during that fiscal year. The cost of this program is partially offset by savings in the decreased use of sick days and overtime pay related to the backfilling of sick days. A similar program that combined rewards in the form of compensatory time off and/or cash payments could be implemented at DPT. The cost of such a program would depend on the extent to which DPT employees qualified and took advantage of such a program, and would be offset by reductions in sick and overtime pay.

Additionally, since workers compensation represents the number one reason for PCO absenteeism, the Department must also address the problems associated with the workers compensation system. This issue is further discussed in Section 2 of this report.

If the 299 existing PCOs were to meet the proposed attendance standard of 13 or less absences per year (excluding holidays, vacation, compensatory time off, and family leave), the current rate of absenteeism could be reduced from 12,157 lost days per year to 3,887 lost days per year, or a reduction of 8,270 absences (68 percent). This is the equivalent of 32 additional PCOs available to work over the

course of an entire year. As a result, there would be better enforcement of parking and traffic regulations throughout the City, thereby resulting in increased turnover of parking spaces, reduced traffic congestion, and better response to complaints from the public. In addition, based on the average revenue per PCO of \$194,502 per year, these 32 PCOs could potentially generate as much as \$6,224,064 in additional revenue annually.

The Enforcement Division should establish a goal to reduce absenteeism among PCOs by at least 25 percent (3,039 absences), or from 12,157 absences to 9,118 absences annually (excluding holidays, vacation, compensatory time off, and family leave). This would provide the equivalent of 11 more PCOs available for deployment. Based on the average revenue per PCO of \$194,502 per year, these 11 PCOs would generate as much as \$2,139,522 in additional revenues to the City annually. Moreover, reduced PCO absenteeism would improve DPT's ability to provide an adequate level of enforcement services throughout the City.

Conclusions

Based on our analysis, we found that DPT is unable to provide an adequate level of enforcement services throughout the City primarily because of high absenteeism among PCOs.

On average, approximately 25 percent of PCOs are not available to work their scheduled shifts on any given day. This is the equivalent of 65 PCOs who are unavailable for work over the course of an entire year. Even when vacation, compensatory time off, holidays, and family leave are excluded, PCO absenteeism results in 12,157 lost days per year, or the equivalent of 47 PCOs. The total cost to the City of PCO absenteeism is nearly \$9.7 million annually.

In addition, we found that policies and procedures regarding attendance are not enforced consistently. As a result, 60 percent of PCOs do not meet acceptable standards for attendance. There is also strong evidence indicating the abuse of paid sick leave.

DPT should formally establish and consistently enforce employee attendance standards and consider implementing incentive programs to reward employees for showing up to work. By reducing absenteeism, DPT could add the equivalent of between 11 and 32 PCOs, which would improve the enforcement of parking and traffic regulations throughout the City and result in increased turnover of parking spaces, reduced traffic congestion, and better response to complaints. Also, additional revenues of between \$2.1 million and \$6.2 million could be generated annually.

Recommendations

DPT Administration should:

- 1.1-1 Complete the Department-wide Policies and Procedures Manual, which should contain specific penalties against employees who fail to comply with Departmental attendance standards.

The Enforcement Director should:

- 1.1-2 Consistently and regularly enforce the Department's and/or Enforcement Division's policies and procedures regarding attendance.
- 1.1-3 Consider implementing incentive programs, such as the Police Department's Wellness Program, in order to reward employees for showing up to work.
- 1.1-4 Establish a goal to reduce absenteeism (excluding vacation, holidays, compensatory time off, and family leave) among PCOs by at least 25 percent.

Savings/Benefits

Reducing absenteeism would be equivalent to adding between 11 and 32 additional PCOs. This would lead to improved enforcement of parking and traffic regulations throughout the City, thereby resulting in increased turnover of parking spaces, reduced traffic congestion, and better response to complaints from the public. In addition, DPT could generate between \$2,139,522 and \$6,224,064 in additional revenues to the City annually.

1.2 Parking Control Officer Deployment

- Based on our review and analysis of DPT's deployment policies and practices, we found that DPT often does not schedule a sufficient number of PCOs to meet its minimum staffing requirements or to adequately enforce parking regulations during all periods when coverage is needed the most. This problem is further exacerbated by the high absenteeism discussed in Section 1.1.
- For example, DPT falls short of its minimum staffing requirements on every day of the week, resulting in 119 shifts (of the minimum requirement of 1,242 shifts) remaining unstaffed each week. In addition, DPT does not provide consistent or sufficient coverage of General Enforcement beats throughout the day or of Residential Permit Parking areas during all time periods when coverage is needed.
- DPT should modify current PCO deployment and shift assignment practices in order to achieve a more efficient and effective allocation of PCOs and to improve the Department's ability to provide a sufficient level of enforcement services throughout the City.
- The implementation of our recommendations would lead to improved coverage of General Enforcement beats and Residential Permit Parking areas, increased turnover of parking spaces, reduced traffic congestion, and better response to complaints. In addition, using overtime rather than regular duty PCOs to provide special event coverage would increase revenues by over \$2.1 million annually.

As part of the Budget Analyst's performance audit of DPT, we reviewed the deployment policies and practices, as well as the availability of PCOs to work their scheduled assignments, in the Enforcement Division.

Enforcement Division management is responsible for deploying PCOs for each assignment. We asked Enforcement Division managers to define minimum staffing requirements by assignment, shift, and day of week. We defined minimum staffing requirements for Enforcement Division managers as the number of PCOs that are required each day to provide adequate enforcement services throughout the City. Typical factors that were used by management to determine minimum staffing requirements included: (1) the areas throughout the City in which parking regulations must be enforced, as determined by the location of parking meters, residential permit parking areas, street cleaning routes, yellow zones, towaway

zones, etc.; (2) concerns expressed by the public; and (3) the availability of PCOs, vehicles and radios.

In addition, we obtained a copy of current PCO assignments from the most recent PCO sign-up, effective September 26, 1998. Shift sign-ups are conducted on approximately a semiannual basis. Prior to the sign-up, Enforcement Division managers designate a certain number of slots for each assignment by shift start time and scheduled days off (e.g., Saturday and Sunday). The number of slots available for each assignment and shift presumably reflect the minimum staffing requirements defined by management. The available assignment slots are posted, and PCOs then have the opportunity to sign up, based on seniority, for their preferred assignment.

Lastly, we also applied the productivity factor calculated in Section 1.1 to the number of scheduled shifts in order to determine how many PCOs are actually available to work out of the total number of PCOs scheduled.

Based on our interviews with Enforcement Division managers, and our analysis of staffing and deployment data compiled from Department records, we found that the Enforcement Division is unable to meet minimum staffing requirements or to consistently provide adequate levels of parking enforcement services within the City. Our conclusions are drawn from the following specific findings:

- The number of PCOs assigned and available for certain details and shifts is often insufficient to meet the minimum staffing requirements believed to be appropriate by management; and
- The number of PCOs scheduled and available to work is not always sufficient to adequately enforce parking regulations throughout the City, and DPT often does not provide enforcement services during all the time periods when coverage is needed.

Inability to Meet Minimum Staffing Requirements

Using the minimum staffing information developed based on interviews with Enforcement Division managers, and scheduling and attendance records obtained from Enforcement Division Administration, we were able to construct a model which compares the total number of hours worked per year by PCOs to the number of hours per year that are required to provide minimum staffing. Based on this analysis, we concluded that there are insufficient staff available to meet the minimum staffing requirements, as defined by Enforcement Division management.

Table 1.2-1 on the following page shows the number of PCOs needed to meet daily minimum staffing requirements, and, by day of week, the number of scheduled PCO

shifts, the number of scheduled PCOs with a regular assignment, the number of PCOs available to work (based on actual attendance), and the estimated staff surplus/shortfall. As shown in Table 1.2-1, the Enforcement Division has an estimated staffing shortfall equivalent to approximately 24 PCOs overall. The Department falls below its minimum staffing requirements by approximately 119 shifts per week. The highest staff shortage occurs on Monday, when 29 (13 percent) of the 225 PCO shifts needed to meet minimum staffing requirements remain unstaffed.

Table 1.2-1

**Scheduled and Actual Staffing versus the
Enforcement Division's Minimum Staffing Requirements**

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total No. of Shifts per Week	Total FTEs
No. of PCO Shifts Needed to Meet Minimum Staffing	225	227	227	227	225	72	39	1,242	248
No. of Scheduled PCO Shifts	261	283	284	284	280	67	36	1,495	299
No. of Scheduled PCOs with Regular Assignments	227	250	250	252	249	63	34	1,325	265
No. of PCOs Available to Work (based on actual attendance)	196	215	214	214	207	50	26	1,123	225
Estimated Staff Surplus/ (Shortfall)	(29)	(12)	(13)	(13)	(18)	(22)	(13)	(119)	(24)

Table 1.2-1 also shows that, overall, the total number of scheduled shifts for PCOs with regular assignments (1,325 shifts per week) exceeds the minimum staffing requirements of 1,242 shifts per week. However, the number of scheduled PCO shifts falls short of the minimum requirements on weekends. In addition, after a closer examination of specific PCO assignments, we found that DPT falls short of minimum staffing requirements on the following assignments: (1) General Enforcement, (2) Residential Permit Parking, (3) the 587/588 (complaints) Detail, and (4) the Abandoned Auto Detail. The staffing shortfalls for General Enforcement and Residential Permit Parking are discussed in further below under Comparison of Staffing Levels to the Level of Enforcement Services Needed. In the 587/588 and Abandoned Auto Details, we found that the number of scheduled PCO shifts fell below minimum staffing requirements by 10 shifts per week (two FTEs) and five shifts per week (one FTE), respectively.

Thus, in certain cases, DPT is unable to meet minimum staffing requirements due to an insufficient number of PCOs scheduled to work on certain days and on certain

assignments. However, this problem is further exacerbated by the high absenteeism among PCOs (discussed in Section 1.1), which prohibits the Department from meeting its minimum staffing requirements under most circumstances. For example, as shown in Table 1.2-1, after actual attendance is taken into account, DPT falls short of its minimum staffing requirements on every day of the week. As a result of PCO absences, the equivalent of 74 PCOs (25 percent) of the existing 299 PCOs miss their scheduled shifts on average. Although a certain level of absenteeism is to be expected, the rate of absenteeism exhibited by PCOs is excessive.

Comparison of Staffing Levels to the Level of Enforcement Services Needed

PCOs work an eight-hour, five-day work week. While most PCOs are scheduled to work Monday through Friday, approximately 97 of the 1,325 shifts per week are scheduled on weekends, primarily to provide limited coverage in General Enforcement and Residential Permit Parking areas and to staff the Street Sweeping, Muni and 587/588 Details. Shifts start as early as 5:30 am and are staggered throughout the day to provide coverage usually until 7:30 pm. Residential Permit Parking provides coverage from 8:00 am to 9:30 pm. Additionally, one Street Sweeping shift runs from 11:30 pm to 8:00 am, seven days a week.

The Department's scheduling of PCO shifts should, to the extent possible, reflect its minimum staffing requirements for each assignment and shift. As such, as part of this study, we also compared scheduled staffing, adjusted for attendance, to the need for enforcement services throughout the City, in order to determine whether there are a sufficient number of PCOs scheduled and available to provide enforcement services throughout the City when such services are needed. Specifically, we examined DPT's General Enforcement and Residential Permit Parking beats and shift times and compared them to (a) the location of parking meters and residential permit parking areas throughout the City; and (b) the parking restrictions (e.g., time limits) in effect at those locations. We found that, while DPT does provide some level of enforcement services in all of the areas of the City where residential permit parking areas and parking meters are located, DPT often does not schedule a sufficient number of PCOs to provide complete coverage during a given time period, nor does it provide enforcement services during all the time periods when coverage is needed.

General Enforcement

For the purposes of General Enforcement, the City is geographically divided into seven areas, which are further divided into subsections or beats. According to DPT,

the beats are designed such that each beat can and should be covered by at least one PCO. There are 79 General Enforcement (GE) beats throughout the City, the majority of which are located in the northeastern portion of the City. All areas of the City where parking meters are located are included in a GE beat, and each of the 79 GE beats contain parking meters.

Time restrictions for the City's approximately 23,000 parking meters vary, but are typically in effect from 9:00 am through 6:00 pm. However, at no time is there a sufficient number of PCOs working so that there is one PCO in each of the 79 GE beats throughout the day. Based on DPT's current PCO shift assignments, at most, 74 PCOs are scheduled to cover GE beats on weekdays, and only between the hours of 11:00 am and 3:00 pm. When attendance is taken into account, only 59 PCOs are actually available during those hours to cover GE beats. Before 11:00 am and after 3:00 pm, there are substantially fewer PCOs both scheduled and available to work in General Enforcement. In addition, though there are 28 GE beats with time restrictions in effect on Saturdays, at most only 16 PCOs are scheduled to work on Saturdays, of which only 12 typically show up. Table 1.2-2 below shows the number of PCOs scheduled and available to cover GE beats between 9:00 am and 6:00 pm, Monday through Saturday.

Table 1.2-2
Scheduled and Actual Staffing for
General Enforcement Beats, Monday - Saturday

Time Period	Monday - Friday		Saturday	
	No. of Scheduled PCOs	No. of Actual PCOs	No. of Scheduled PCOs	No. of Actual PCOs
9:00 am - 11:00 am	48	39	8	6
11:00 am - 3:00 pm	74	59	16	12
3:00 pm - 4:00 pm	57	45	16	12
4:00 pm - 5:30 pm	41	33	16	12
5:30 pm - 6:00 pm	9	8	8	6

As reflected in the table above, DPT's coverage of GE beats, in terms of both scheduled shifts and shifts actually worked, is inconsistent and insufficient to adequately enforce parking meter regulations.

Residential Permit Parking

Another area in which DPT's coverage often results in inadequate enforcement of parking regulations is Residential Permit Parking (RPP). There are 33 residential permit parking areas, all of which contain parking restrictions that are enforced by

DPT. Since some of the areas have been combined into one beat, there are 26 RPP beats. According to DPT, at least one PCO should be assigned to each beat during the hours when parking restrictions are in effect. Time restrictions for parking in each area are typically in effect from 8:00 am through 6:00 pm, Monday through Friday, although some areas have time limits in effect from as early as 7:00 am and until as late as 11:00 pm. However, DPT's coverage of RPP beats does not start until 8:00 am and lasts until only 9:30 pm. Table 1.2-3 below shows the number of RPP beats with time limits in effect and the number PCOs scheduled and available to cover those beats between 7:00 am and 11:00 pm on a daily basis.

Table 1.2-3

**Scheduled and Actual Staffing for
Residential Permit Parking Beats**

Time Period	Monday - Friday			Saturday			Sunday		
	No. of		Actual	No. of		Actual	No. of		Actual
	No. of	Scheduled		No. of	Scheduled		No. of	Scheduled	
	Beats	PCOs	PCOs	Beats	PCOs	PCOs	Beats	PCOs	PCOs
7:00 am - 8:00 am	2	-	-	1	-	-	1	-	-
8:00 am - 9:00 am	24	32	25	4	2	2	1	-	-
9:00 am - 1:00 pm	26	32	25	6	2	2	1	-	-
1:00 pm - 4:30 pm	26	38	30	6	2	2	1	-	-
4:30 pm - 5:00 pm	26	6	5	6	-	-	1	-	-
5:00 pm - 6:00 pm	26	6	5	7	-	-	1	-	-
6:00 pm - 7:00 pm	10	6	5	6	-	-	1	-	-
7:00 pm - 8:00 pm	8	6	5	6	-	-	1	-	-
8:00 pm - 8:30 pm	7	6	5	5	-	-	1	-	-
8:30 pm - 9:00 pm	6	6	5	5	-	-	1	-	-
9:00 pm - 9:30 pm	2	6	5	2	-	-	-	-	-
9:30 pm - 10:00 pm	2	-	-	2	-	-	-	-	-
10:00 pm - 11:00 pm	1	-	-	1	-	-	-	-	-

As shown in Table 1.2-3 above, although there is sufficient coverage on weekdays between 8:00 am and 9:00 am and between 1:00 pm and 4:30 pm, there are not enough PCOs scheduled and available to cover all of the RPP beats that need coverage between 4:30 pm and 9:00 pm on weekdays. In addition, only two PCOs are scheduled and available to work on Saturdays, between 8:00 am and 4:30 pm, though as many as seven RPP beats require Saturday coverage. There are no PCOs scheduled to work on Sunday, when there is one RPP beat that needs coverage. As such, DPT's coverage of RPP beats is insufficient to adequately enforce RPP parking restrictions throughout the City and fails to provide enforcement services during all the time periods when coverage is needed.

Dual Assignments

In addition, as part of this analysis, we also reviewed the deployment of PCOs to more than one assignment during his/her shift, in order to determine whether PCOs were being deployed in an efficient manner. For example, DPT commonly assigns one PCO to cover a morning or afternoon tow route and a GE beat during one shift. Based on our review, we found that DPT consistently assigned PCOs to tow routes that were in close geographic proximity to their GE beats, so that a significant amount of work time was not lost in traveling from the tow route to the GE beat. However, we also found that, the reassignment of PCOs to backfill other PCOs who were absent and therefore unable to cover their regular GE beats or tow routes, often resulted in long travel times for the reassigned PCOs to travel from their GE beats to their tow routes, or vice versa. Thus, once again, PCO absenteeism contributes to the inefficient deployment of PCOs.

In conclusion, DPT often does not schedule a sufficient number of PCOs on certain assignments and/or certain days of the week to meet its minimum staffing requirements or to provide adequate coverage throughout the City at all times when coverage is needed. At the same time, however, the Department is constrained in its ability to schedule a sufficient number of PCOs for each assignment and shift, since there are only so many PCOs available to work. For example, as noted in Section 1, out of the 299 filled PCO positions, DPT has assumed that only 265 are available on a regular basis to work, due to a high number of PCOs who are on long-term leave, with an unknown date of return. This large number of PCOs on long-term leave significantly contributes to the high rate of absenteeism among PCOs in general. Until the factors causing this high absenteeism are addressed, the Department will continue to be unable to provide an adequate level of enforcement services throughout the City.

Opportunities for Improvement

Based on our analysis of the Enforcement Division's deployment practices and minimum staffing requirements, we recommend that the Enforcement Division make the following changes in order to improve the provision of enforcement services:

- As previously noted, according to DPT, each General Enforcement (GE) beat was designed such that each beat should be covered by at least one PCO. However, from our ride-alongs and discussions with PCOs and other Enforcement Division staff, and from our examination of GE beat maps, we found that many beats were relatively small in size (e.g., six City blocks in the financial district or four City blocks in the South of Market area). Some of these smaller beats could be

consolidated and still be easily covered by a PCO with a vehicle during his/her shift. DPT already combines many beats on a regular basis because of staff shortages. In addition, since the existing beat structure has remained relatively unchanged for at least 20 years, DPT should consider restructuring certain GE beats, given past and future changes in land use and transportation throughout the City. We therefore recommend that DPT consider restructuring GE beats in order to achieve a more efficient and effective allocation of PCOs that could improve the Department's ability to provide a sufficient level of enforcement services throughout the City.

- In addition to restructuring GE beats, we recommend that DPT redeploy PCOs so that (a) more consistent coverage of GE beats is provided throughout the day; (b) more coverage of GE beats is provided before 9:00 am, after 5:30 pm, and on Saturdays. This could be done by adjusting shift start times and/or adding new shifts.
- DPT's coverage of RPP areas needs to be improved. DPT should increase coverage of RPP areas after 4:30 pm, Monday through Friday, and on weekends. In addition, the shift start times of some of the PCOs assigned to RPP beats would have to be adjusted in order to provide coverage of RPP areas that are still in effect past 6:00 pm. -

Special Event Coverage

DPT is responsible for providing traffic control at approximately 36 special events and at all games held at 3-Com Park. During the FY 1998-99 budget process, DPT's request for \$575,000 in overtime to provide traffic control at special events was denied. DPT advises that it was directed by the Mayor's Office to use PCOs on regular duty to perform traffic control duties at special events.

The Budget Analyst conducted an analysis of DPT's cost of covering special events on straight time versus overtime. By reassigning regular duty PCOs from general enforcement duties to special events, DPT reduces the number of PCOs available for patrolling in residential permit parking areas, issuing citations to increase parking turnover, reducing traffic congestion, and responding to the public's complaints. DPT estimates that special event coverage requires approximately 23,478 hours of PCO time, or the equivalent of approximately 14 PCOs on a full-time basis (after taking leave time into account). Since each PCO generates approximately \$194,502 in revenues per year, the 14 PCOs diverted from general enforcement duties to special events results in potential lost revenues of as much as \$2,723,028 annually. Based on DPT's estimated cost of \$575,000 to provide special event coverage on an overtime basis, additional net revenues of \$2,148,028 per year would result by covering special events on overtime rather than on straight time.

While this performance audit was in process, DPT advises that the Mayor's Office reallocated \$275,000 in excess attrition savings in DPT's FY 1998-99 budget to overtime, to be used for special event coverage by PCOs. The Budget Analyst supports this action and recommends that DPT continue to use overtime rather than regular duty PCOs to cover special events in the future. DPT should request funds in its FY 1999-00 budget for overtime to provide special event coverage.

Conclusions

Based on our review and analysis of DPT's deployment policies and practices, we found that DPT often does not schedule a sufficient number of PCOs to meet its minimum staffing requirements or to adequately enforce parking regulations during all periods when coverage is needed the most. This problem is further exacerbated by the high absenteeism discussed in Section 1.1.

For example, DPT falls short of its minimum staffing requirements on every day of the week, resulting in 119 shifts (of the minimum requirement of 1,242 shifts) remaining unstaffed each week. In addition, DPT does not provide consistent or sufficient coverage of General Enforcement beats throughout the day or of Residential Permit Parking areas during all time periods when coverage is needed.

DPT should modify current PCO deployment and shift assignment practices in order to achieve a more efficient and effective allocation of PCOs and to improve the Department's ability to provide a sufficient level of enforcement services throughout the City.

The implementation of our recommendations would lead to improved coverage of General Enforcement beats and Residential Permit Parking areas, increased turnover of parking spaces, reduced traffic congestion, and better response to complaints. In addition, using overtime rather than regular duty PCOs to provide special event coverage would increase revenues by over \$2.1 million annually.

Recommendations

The Enforcement Director should:

- 1.2-1 Evaluate opportunities to formally consolidate and/or restructure General Enforcement beats.
- 1.2-2 Redeploy PCOs in order to provide more consistent coverage of General Enforcement beats throughout the day and on weekends.
- 1.2-3 Improve the Enforcement Division's coverage of Residential Permit Parking areas on weekday evenings and weekends.
- 1.2-4 Request funds in DPT's FY 1999-00 budget for overtime to provide special event coverage.

Savings/Benefits

The implementation of our recommendations would lead to more efficient and effective deployment of PCOs, in a manner that is consistent with overall Departmental policies, and would improve the Department's ability to provide a sufficient level of enforcement services throughout the City.

The results would be improved coverage of General Enforcement beats and Residential Permit Parking areas, increased turnover of parking spaces, reduced traffic congestion, and better response to complaints from the public. In addition, using overtime rather than regular duty PCOs to provide special event coverage would increase revenues by \$2,148,028 annually.

Section 2 Workers Compensation

- DPT ranks third behind the Fire Department and Muni in workers compensation expenditures per employee. Actual expenditures have increased by 24 percent per year over the past five fiscal years. Projected FY 1998-99 expenditures are \$2,143,948,¹ or \$420,359 more than budgeted expenditures. Currently, DPT spends an average of \$7,063 per claim, and 44 percent of DPT's workforce has at least one active workers compensation claim.
- Additionally, 86 percent of work-related injuries result in lost workdays. Work-related injuries have resulted in 20,836 lost workdays over the past nine years. This corresponds to lost productivity of nearly \$4.2 million in salaries and benefits, or an average of \$465,867 annually. In addition, this lost productivity negatively impacts service levels, thereby contributing to increased traffic congestion, reduced parking turnover, reduced revenues, and increased complaints from the public.
- Employees missed an average of 66 workdays each, with 91 employees missing more than three months of work, including 15 employees missing more than one year of work. One employee missed over three years of work as a result of an injury. We also identified numerous instances of employees filing multiple claims in one year, in successive years at the same time of year, or for the same type of injury, indicating potential abuse of the workers compensation system.
- DPT has developed a Workers Compensation Cost Containment Plan. We support the funding and implementation of this plan, including improved case management and claims administration. In addition, we recommend that DPT expand its Modified Duty Program and the use of Industrial Disability Retirements in order to improve worker productivity and reduce workers compensation costs.
- The implementation of our recommendations would enable DPT to reduce its workers compensation costs by \$2,776,341 over the next five years. This would be partially offset by additional costs of \$1,265,601, resulting in net savings of \$1,510,739 in the first five years, with on-going net savings of \$1,451,080 per year thereafter.

As part of this performance audit, the Budget Analyst reviewed and analyzed DPT's workers compensation expenditures and its policies and practices with regard to the filing of workers compensation claims and the use of modified duty assignments for personnel who have temporary disabilities. In order to assess the status of workers

¹ Consists of \$2,080,006 from the General Fund and \$63,942 from the Road Fund.

compensation claims and expenditures and the use of modified duty by DPT, audit staff:

- Interviewed the Executive Director's Special Assistant, who, in addition to her other duties, has been assigned by the Executive Director to address DPT's escalating workers compensation costs;
- Reviewed (a) California State Labor Code sections outlining the responsibilities of employers with regard to the payment of medical and temporary disability claims, (b) the City Charter's provisions on Industrial Disability Retirements; (c) American with Disabilities Act (ADA) guidelines, and (d) the California Ergonomics Standard;
- Obtained and reviewed documents from DPT and the Department of Human Resources, including:
 - Budgeted and actual expenditures for workers compensation between FY 1993-94 and FY 1998-99;
 - OSHA Form 200, "Log and Summary of Occupational Injuries and Illnesses", which reports information such as the injury date, the number of lost days and number of days of restricted duty for each claim filed by a DPT employee;
 - A list of all DPT employees, by division, with open workers compensation claims;
 - Workers Compensation "Loss Summary Report", which shows all costs incurred by the City for each claim filed by a DPT employee;
 - Reports generated by DPT to identify the top 150 claims that require aggressive resolution management;
 - DPT's FY 1998-99 Workers Compensation Cost Containment Plan; and
 - A draft of DPT's proposed Return to Duty Program.

Background

When an employee is injured on the job, the employee is evaluated by a physician in order to determine whether a disability has resulted from the injury. If so, the employee is entitled to file a workers compensation claim. The purpose of filing a claim is to (a) indemnify the wages that may be lost as a result of the employee's absence due to the injury; (b) cure and relieve the effects of the injury by providing for medical and rehabilitative treatment, at the employer's expense; and (c) if necessary, provide permanent disability benefits should the injuries sustained

result in a permanent and stationary impediment, thereby restricting the employee's future employment options.

Under State law, employers must pay for medical treatment and temporary disability benefits for any days of lost work. The current compensation rate is \$490 per week for miscellaneous employees. Employees are not required to pay income tax on workers compensation benefits. Except for an initial three-day waiting period, the City is required to pay temporary disability indemnity for as long as an employee is unable to work. However, if the City can make employment available that takes into account any medical restrictions imposed by the treating physician, the employee can be assigned to a modified duty assignment. Also, miscellaneous employees whose disabilities are subsequently determined to be permanent and stationary may qualify for the payment of permanent disability benefits and/or submit a request for an Industrial Disability Retirement.

Escalating worker compensation expenditures have been an area of continuing concern throughout the City over the past several years. In the Controller's Six-Month Budget Status Report, the Controller projected a budgetary deficit of \$8.7 million in Citywide General Fund workers compensation expenditures for FY 1998-99. The Department of Human Resources (DHR) is currently responsible for the management and administration of workers compensation claims within the Workers Compensation Division. Decentralizing this structure and providing individual City departments with the resources necessary to control workers compensation spending, while at the same time holding department managers more accountable for reducing costs, would be a more effective approach to handling the current workers compensation quandary.

We believe that the Workers Compensation Cost Containment Plan recommended in this section and developed with input from DPT management could be used as a first step to changing the City's current approach to managing workers compensation claims and expenditures and could serve as a model for other City departments.

DPT's Workers Compensation Claims and Costs

According to DPT, DPT ranks fifth among City departments in workers compensation costs and has a high incidence of workers compensation claims for its size. DPT advises that it incurs \$3,693 per employee in workers compensation expenditures, placing it third behind the Fire Department and Muni and ahead of the Police Department. Table 2.1 below shows DPT's workers compensation expenditures over the five-year period from FY 1993-94 through FY 1997-98.

Table 2.1

**DPT's Budgeted and Actual Workers Compensation
Expenditures, FY 1993-94 through FY 1997-98**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Actual Expenditures</u>	<u>No. of New Claims Filed</u>
1993-94	\$558,369	\$760,895	273
1994-95	725,996	1,208,672	272
1995-96	831,143	1,424,144	271
1996-97	831,143	1,744,347	287
1997-98	1,708,737	1,909,687	223

As shown in Table 2.1, actual expenditures increased by an average of 24 percent per year between FY 1993-94 and FY 1997-98. Meanwhile, the number of new claims filed remained fairly steady for the first four years, and then declined in FY 1997-98. This indicates that the cost per claim is increasing. DPT currently spends an average of \$7,063 per claim. Additionally, Table 2.1 shows that workers compensation has been significantly underfunded over the past five fiscal years.

The FY 1998-99 budget for workers compensation is \$1,723,589. This is \$14,852 or 0.9 percent more than the FY 1997-98 budget of \$1,708,737, but \$186,098 or 9.7 percent less than FY 1997-98 actual expenditures of \$1,909,687. DPT's expenditures through December 31, 1998 for workers compensation were \$1,071,974. If this spending rate continues through the end of this fiscal year, DPT's projected expenditures for FY 1998-99 will be \$2,143,948, resulting in a funding shortfall of \$420,359. As of October 1, 1998 there were 426 open claims involving 271 DPT employees. Thus, 44 percent of the authorized workforce of 621 permanent employees currently has at least one active workers compensation claim.

Using OSHA and DPT management reports on work-related injuries/illnesses and on workers compensation claims filed by DPT employees for the period from January 1, 1990 through December 1, 1998, we analyzed (a) the effects of workers compensation on employee productivity, and (b) the type and nature of claims filed, in order to identify patterns in the way employees file claims (e.g., multiple claims filed in different years at the same time of year, two or more claims filed in one year, an excessive number of days lost from one claim, multiple claims for the same injury). The results of our analysis are as follows:

- According to the OSHA 200 log, there were 921 work-related injuries and illnesses reported during this period, 789 (86 percent) of which resulted in lost workdays. These injuries/illnesses resulted in 20,836 lost workdays, or an average of 23 days per injury. These 20,836 lost workdays correspond to lost

productivity of \$4,155,532 (based on the average hourly rate, including fringe benefits, for DPT employees of \$24.93 x 166,688 hours) since January 1, 1990, or an average of \$465,867 annually. In addition, this lost productivity negatively impacts service levels, thereby contributing to increased traffic congestion, reduced parking turnover, reduced revenues, and increased complaints from the public.

- Only 76 of the 921 injuries (8.3 percent) resulted in a modified duty assignment. Employees were assigned to modified duty for a total of 1,859 days, or an average of 24 days per assignment.
- 83 percent of the injuries (764 injuries) were reported by Parking Control Officers and other personnel working in the Enforcement Division.
- The leading causes of injuries were pulling or pushing (447 injuries), struck by moving object (119 injuries), and repeated motion (60 injuries). 215 injuries involved a vehicle. The leading types of injuries were strains and sprains (587 injuries). The back, knee, and neck were the body parts most frequently injured (348 injuries). There were 35 injuries caused by mental or verbal assault and 13 injuries caused by physical assault. There were 35 injuries involving acute or chronic psychological stress.
- During the same period, 1,546 workers compensation claims² were filed by 500 individual DPT employees, for an average of 3.1 claims per employee. 313 employees (63 percent) filed more than one claim during this period.
- 314 employees (63 percent) had lost workdays as the result of workers compensation claims. These employees each missed an average of 66 workdays. One employee missed 866 workdays (the equivalent of three years, four months). Table 2.2 on the following page shows a breakdown of employees by the number of workdays missed:

² The number of workers compensation claims filed is greater than the number of injuries and illnesses reported during this period because a single injury/illness can result in multiple claims.

Table 2.2

**Lost Workdays Resulting from Workers
Compensation Claims, 1/1/90 – 12/1/98**

<u>No. of Workdays Missed</u>	<u>No. of Employees</u>	<u>% of Employees</u>
0 days	186	37.2%
1 – 10 days (up to 2 wks.)	87	17.4%
11 – 30 days (2.1 wks. – 6 wks.)	87	17.4%
31 – 65 days (6.1 wks. – 3 mos.)	49	9.8%
66 – 130 days (3.1 mos. – 6 mos.)	47	9.4%
131 – 261 days (6.1 mos. – 1 yr.)	29	5.8%
262 – 521 days (1.1 yrs. – 2 yrs.)	10	2.0%
522 – 782 days (2.1 yrs. – 3 yrs.)	4	0.8%
> 782 days (> 3 yrs.)	<u>1</u>	<u>0.2%</u>
Total	500	100.0%

As shown in Table 2.2, while approximately 55 percent of employees missed less than two weeks of work due to a disability, a significant number (91 employees) missed three months of work or more, including 15 employees who missed the equivalent of more than one year of work. Although DPT did not have to pay the salaries for employees who were on workers compensation leave, it did incur indemnity payments of \$490 per employee per week (paid through DHR's workers compensation budget) to employees while they were on leave.

- We identified 339 instances (involving 818 claims) in which employees filed more than one claim in one year and 165 instances (involving 378 claims) in which multiple claims were filed by one employee in different years at approximately the same time of year. Further, we identified 168 instances (involving 421 claims) in which multiple claims were filed by one employee for the same type of injury. The high incidence of these various occurrences indicates that the workers compensation system is being abused by certain employees.

DPT's Plan to Control Workers Compensation Costs

For FY 1998-99, DPT developed a Workers Compensation Cost Containment Plan, with the objective of reducing workers compensation costs by 15 percent over the next three fiscal years. The main components of this plan are as follows:

- **Return to Duty Program:** Through this program, DPT would attempt to return injured employees to work as soon as possible. The Program would

include the establishment of a Job Bank to match eligible injured employees with available assignments within the Department and/or in the Citywide ADA Transfer Program. In addition, DPT would establish policies on the length and terms of modified duty.

- **Quarterly Claims Review:** In conjunction with DHR's Workers Compensation Division (WCD), DPT would review and provide case management for the 100 to 150 most serious claims. DPT would pay for one additional Claims Adjuster position to handle these cases. In addition, this Claims Adjuster position would be responsible for coordinating the investigation of suspicious claims.
- **Worksite Ergonomic Analysis:** DPT would conduct a worksite ergonomic analysis for certain job classifications to determine the safety problems that contribute to DPT's high workers compensation costs. According to DPT, DPT is not in compliance with the California Ergonomic Standard, which was passed in 1997, or with ADA requirements.
- **Safety Analyst:** DPT would hire a full-time Safety Analyst to assist in the implementation of DPT's Safety Program and related training, the eradication of safety hazards, and the development of new programs and initiatives dealing with safety and the prevention of workplace injuries. DPT advises that, according to OSHA standards, DPT should have three Safety Analysts for a department its size. DPT currently has one 0.5 FTE Safety Analyst, which is funded through a work order with the Department of Public Health.
- **Recruitment and Selection Program:** Job descriptions for the classifications with the highest risk of injury would be revised in order to incorporate the physical, psychological and ergonomic demands of such positions. The screening process would be improved to facilitate DPT's ability to measure an applicant's literacy skills, common sense, verbal communication skills, physical agility, etc.
- **Staff Development and Training:** DPT would develop mandatory training for all managers and supervisors that would include courses in workers compensation, ADA, safety, discipline, and related topics. DPT advises that supervisors need to be more actively involved in preventing claims by abiding by any medical restrictions imposed upon their employees, and must be held more accountable if they fail to do so.

DPT's Workers Compensation Cost Containment Plan also delineates the roles and responsibilities of DPT managers and staff which must be carried out in order to ensure the successful implementation of the plan, and contains follow-up activities for evaluating DPT's progress.

DPT requested \$316,607 in additional funding in its FY 1998-99 budget in order to implement the above components of the Workers Compensation Cost Containment Plan. However, this request was denied by the Mayor's Office.

Despite the denial of funding for its Workers Compensation Cost Containment Plan, the Special Assistant to the Executive Director, who has been assigned to work on workers compensation issues on a part-time basis, has made some efforts to control workers compensation costs. For example, she has drafted a Return to Duty Program, which has been under review by the City Attorney's Office, and a Department-wide Policies and Procedures Manual, which is still in development. She has also revised several WCD forms. Changes have been made to the recruitment process in order to improve the screening of job applicants and provide them with more detailed information on job requirements. A management report has been developed to identify the most serious workers compensation claims. Desk reviews are now performed of all Enforcement Division employee claims before they are sent to the Workers Compensation Division. Two management training sessions have been conducted for Enforcement Division managers, and bimonthly workshops with WCD staff are planned for the future.

Other Opportunities for Improvement

DPT still faces many challenges before it can gain control over its workers compensation costs. We have identified the following areas where improvements are still needed.

Workers Compensation Claims Administration

As noted above, in its FY 1998-99 budget, DPT requested additional funding for one new Claims Adjuster position in order to (a) provide case management for DPT's most serious claims and (b) pursue the investigation of suspicious claims identified by the WCD, thereby enabling DPT to identify potential fraud and gather the evidence needed to resolve such cases.

We support the addition of one new Claims Adjuster position in DPT's budget dedicated to claims involving DPT employees. In addition to the duties noted above, a Claims Adjuster would be able to conduct thorough initial claim processing in order to determine whether the City is financially liable for certain claims. A Claims Adjuster could also conduct utilization reviews of the medical treatment provided to injured workers in order to control medical costs. In addition, a Claims Adjuster could dedicate time to monitoring the disability determinations made by individual physicians. This is necessary because:

- Physicians may rely on an employee's subjective complaints, rather than objective medical evidence, to determine whether an employee can return to work;
- In order to avoid incurring professional liability themselves, physicians may prefer to grant disability leave rather than to make a potentially erroneous decision to return the employee to work, where the injury could be aggravated;
- A physician may authorize disability leave in order to extend medical treatment for a longer period, in order to profit financially.

DPT advises that the employees' selection of excessively lenient physicians has been problematic at DPT, and employees often learn from each other which physicians are more likely to grant disability leave. A new Claims Adjuster position could evaluate physicians' performance in granting disability by (a) monitoring the percentage of injured workers who are found to be temporarily disabled by certain preferred providers, and refer claimants to other providers for second opinions; (b) examining the quality of medical evidence provided to support disability determinations, and obtain a second opinion, if necessary; and (c) monitoring the level of improvement after disability leave has been authorized for an extended period, and obtain a second opinion or a finding of permanent disability, if necessary.

The annual salary, including fringe benefits, for one 8141 Workers Compensation Claims Adjuster position would be approximately \$68,412 annually. We recommend that this position be approved as a limited tenure position for the three-year period FY 1999-2000 through FY 2001-02. The approval of continued funding for this position should be based on DPT's ability to demonstrate the effectiveness of this position in reducing workers compensation expenditures.

Expanding DPT's Modified Duty Program

An employer is not responsible for compensating an employee for lost wages if the lost wages result from a refusal to accept available employment, rather than the disabling effects of the injury. Therefore, one way to reduce workers compensation costs is to make alternative employment available to the employee, which takes into account any medical restrictions that are imposed by the treating physician. A modified duty assignment can limit the City's loss of employee productivity, by having the employee perform limited services, rather than none at all.

In addition, modified duty programs can also significantly reduce employee incentives to file new workers compensation claims. An employee faces different incentives to file a claim when he/she expects to perform services in a modified duty capacity, rather than to receive paid time off from work.

As noted earlier, in the past, only a small percentage (8.3 percent) of reported injuries have resulted in modified duty assignments. As of the writing of this report, 23 DPT employees had been deemed eligible for modified duty assignments, of whom 18 had been placed in a modified duty assignment. DPT advises that it has had trouble in identifying potential modified duty assignments because of the lack of funding needed to create such assignments.

As such, we have the following recommendations for improving DPT's Modified Duty Program:

- DPT managers and supervisors will have to assist in the development and monitoring of modified duty assignments. As such, in order to ensure the full participation and cooperation of managers and supervisors throughout the Department, managers and supervisors should receive training on workers compensation, modified duty, and related issues. The estimated cost of training, based on \$300 per staff member for the approximately 95 management and supervisory staff, would be \$28,500. This would provide sufficient funds for between three and eight training classes per employee.
- DPT requested, but was denied, \$107,650 in its FY 1998-99 budget for temporary salaries for the Modified Duty Program. This funding would enable DPT to create temporary modified duty positions for injured employees who have reached the Civil Service Commission's six-month limit for working out of class. This would allow the City to hire new employees to fill injured employees' old positions. We therefore recommend that DPT request, and that the Mayor and Board of Supervisors approve, the amount of \$107,650 per year for temporary salaries for the Modified Duty Program.
- In order for physicians to make an appropriate determination regarding an employee's disability status, physicians should receive specific information concerning an injured employee's job duties. In the absence of detailed information, physicians cannot fully evaluate whether or not an employee is capable of performing at least some of the required job duties. Thus, the existence of an injury may result in a physician's approval of disability leave, whereas the employee may in fact be able to return to work in a limited capacity.

Although WCD currently provides position descriptions to physicians, according to DPT, these descriptions are not specific enough to enable physicians to authorize injured employees to return to work with restrictions. As such, DPT should provide specific information regarding position requirements to physicians who treat injured employees so that they can make an informed appraisal of an employee's ability to return to work, with appropriate job restrictions. Hiring a consultant to conduct a worksite ergonomic analysis, an

item for which DPT was denied funding in FY 1998-99, would enable DPT to develop ergonomically based job descriptions for certain job classifications. DPT advises that the estimated cost to conduct a worksite ergonomic analysis would be \$36,000, based on \$500 per job classification for DPT's 72 job classifications.

Industrial Disability Retirements

Any City employee who is permanently disabled may be eligible to retire on the basis of disability. After a physician has determined that an injured worker has sustained a permanent impairment as the result of an injury, WCD Claims Adjusters must "rate" the injury according to factors such as the nature of the injury, the employee's occupation, and the employee's age. Once the disability has been rated, the employee may (a) qualify for payment of permanent disability benefits due to the inability to compete in the employment market; and/or (b) submit a request to the Retirement Board for an Industrial Disability Retirement.

Pursuant to the Charter, applications for disability retirements are evaluated by independent hearing officers who are retained under contract to the Retirement Board. Employees who retire for disability receive disability retirement "allowances" or pensions. The amount of an employee's disability retirement allowance is based on (a) the employee's job classification; (b) the employee's years of service with the City; and (c) whether the disability resulted from a work-related injury. On the basis of these factors, a miscellaneous employee's disability retirement allowance will be in an amount which is between 33-1/3 and 70 percent of the employee's final compensation on the effective date of retirement. The vast majority of employees who receive an Industrial Disability Retirements are sworn personnel in the Police and Fire Departments.

The Charter requires that an employee who becomes incapacitated for the performance of duty because of a disability of extended and uncertain duration "shall be retired." According to the City Attorney's Office, this means that if a modified duty assignment is not available for a disabled employee, the employee is deemed to be "incapacitated for the performance of duty", and under the Charter, must be retired.

As such, if DPT is unable to identify a modified duty assignment for a permanently disabled employee, that employee should be able to receive a disability retirement. One advantage of an Industrial Disability Retirement is that it creates an option for employees who may not be suitable for a modified duty assignment. In addition, since the City cannot fill a position occupied by a permanently disabled employee for as long as that employee remains in the workers compensation system, retiring an employee on the basis of a disability creates a vacant position for which the City can hire a new, fully productive employee. Furthermore, Industrial Disability

Retirements allow the City to separate employees for whom the City may incur substantial indemnity and medical expenditures through the workers compensation system. These costs, or a portion thereof, would be transferred to the Employees Retirement System. There may be a cost savings associated with the use of the Charter's disability retirement provisions to grant early retirements to employees who are unable to perform their usual duties. To determine whether such savings could be realized, the City should perform an analysis comparing the cost of disability retirements with the costs and benefits of utilizing injured employees in a modified duty capacity.

Nonetheless, in the past, it has been the Retirement Board's policy to be very conservative in awarding industrial disability retirements partially because of the existence of modified duty programs in many departments. Thus, for example, the Retirement Board has approved significantly fewer disability retirements for police officers, since the Police Department has generally made concerted efforts to place disabled officers in available light duty assignments, than for firefighters, since the Fire Department has maximized the use of the disability retirement provisions of the Charter by not making light duty assignments available.

The Mayor and the Board of Supervisors should direct the Workers Compensation Division and the Retirement Board to establish revised protocols for determining whether an employee has been "incapacitated for the performance of duty" and should therefore be granted an Industrial Disability Retirement. Upon the development of such protocols, City departments, including DPT, could make greater use of the Industrial Disability Retirement provisions of the Charter.

Other Recommendations

- DPT should implement several recommendations made by the Special Assistant to the Executive Director. For example, in order to hold managers and supervisors more accountable for work-related injuries, performance standards should be developed in order to evaluate the performance of managers and supervisors in controlling workers compensation expenditures. Workers compensation claims and expenditure information should be distributed to managers and supervisors on a regular basis so that they are made aware of the extent to which the employees within their divisions or sections are contributing to DPT's escalating workers compensation costs. In addition, DPT should develop an incentive program to reward managers and supervisors for reducing workers compensation costs.
- DPT should request additional funding to hire a full-time Safety Analyst to coordinate the comprehensive implementation of DPT's Safety Program, eradicate safety hazards, conduct training, and perform other related duties.

The additional cost to increase DPT's existing 0.5 FTE Safety Analyst to full-time status would be approximately \$47,921 per year. Continued funding for this position at full-time status beyond FY 2001-02 should be based on DPT's ability to demonstrate the effectiveness of this position in reducing workers compensation expenditures.

- Given the escalating workers compensation expenditures citywide, the Mayor and Board of Supervisors should evaluate and consider improvements to the City's current strategies for controlling workers compensation costs.

Estimated Costs and Savings

In summary, in order for DPT to gain control over its escalating workers compensation costs, we are recommending that DPT implement its Workers Compensation Cost Containment Plan starting in FY 1999-2000. DPT should continue to dedicate the existing Special Assistant to the Executive Director to coordinating and implementing the Cost Containment Plan, in addition to performing her other duties.

The Cost Containment Plan would involve expenditures of between \$231,822 and \$288,483 annually in the first five years and on-going expenditures of approximately \$266,022 annually thereafter. We believe that the implementation of our recommendations would enable DPT to reduce its workers compensation expenditures by \$2,776,341 over the first five years. This would be offset by expenditures of \$1,265,601, resulting in a net savings in workers compensation expenditures of \$1,510,739 over the first five years. The on-going net savings would be approximately \$1,451,080 annually. Our recommended expenditure plan and projected cost savings are shown in Table 2.3 on the following page.

As shown in Table 2.3, growth in DPT's workers compensation expenditures would slow from the current average growth rate of 15 percent annually to an average of approximately 5.0 percent per year. After the third year, the approval of continued funding for this program should be based on DPT's ability to demonstrate reductions in its workers compensation expenditures.

Table 2.3

Recommended Workers Compensation Expenditure Plan and Cost Savings

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	Five Years Total	Annual On- Going
Workers Comp. Expenditures								
Projected Expenditures without Containment Program ⁽¹⁾	\$ 2,143,948	\$ 2,465,540	\$ 2,835,371	\$ 3,260,677	\$ 3,749,778	\$ 4,312,245	\$ 16,623,612	\$ 4,959,082
Projected Expenditures with Containment Program ⁽²⁾	\$ 2,143,948	\$ 2,401,222	\$ 2,617,332	\$ 2,800,545	\$ 2,940,572	\$ 3,087,601	\$ 13,847,271	\$ 3,241,981
Estimated Cost Savings	\$ -	\$ 64,318	\$ 218,040	\$ 460,132	\$ 809,206	\$ 1,224,644	\$ 2,776,341	\$ 1,717,101
Additional Expenditures								
Claims Adjuster Position ⁽³⁾	\$ -	\$ 68,412	\$ 70,806	\$ 73,285	\$ 75,850	\$ 78,504	\$ 366,857	\$ 81,252
Managers/ Supervisors Training	\$ -	\$ 28,500	\$ -	\$ -	\$ -	\$ -	\$ 28,500	\$ -
Temp. Salaries for Modified Duty Program ⁽⁴⁾	\$ -	\$ 107,650	\$ 111,418	\$ 115,317	\$ 119,353	\$ 123,531	\$ 577,269	\$ 127,854
Worksite Ergonomic Analysis	\$ -	\$ 36,000	\$ -	\$ -	\$ -	\$ -	\$ 36,000	\$ -
Additional 0.5 FTE Safety Analyst ⁽³⁾	\$ -	\$ 47,921	\$ 49,598	\$ 51,334	\$ 53,131	\$ 54,990	\$ 256,975	\$ 56,915
Total - Additional Expenditures	\$ -	\$ 288,483	\$ 231,822	\$ 239,936	\$ 248,334	\$ 257,026	\$ 1,265,601	\$ 266,022
Net Cost/(Savings)	\$ -	\$ (224,165)	\$ (13,783)	\$ 220,196	\$ 560,872	\$ 967,619	\$ 1,510,739	\$ 1,451,080

Notes:

- (1) Projected Workers Comp. Expenditures without a Cost Containment Program are based on DPT's historical growth rate of 15 percent per year over the past three years.
- (2) Projected Workers Comp. Expenditures with a Cost Containment Program assume reductions in the growth rate as follows:
 FY 1999-00: Stabilize growth rate at FY 1998-99 rate of 12%
 FY 2000-01: Reduction of 3% in growth rate to 9%
 FY 2001-02: Reduction in growth rate of additional 2% to 7%
 FY 2002-03: Reduction in growth rate of additional 2% to 5%
 FY 2003-04 and thereafter: Growth rate of 5% per year
- (3) Assume 3.5 percent annual growth rate starting in FY 2000-01. Continued funding for this position beyond FY 2001-02 should be based on DPT's ability to demonstrate the effectiveness of this position in reducing workers compensation expenditures.
- (4) Assume 3.5 percent annual growth starting in FY 2000-01.

Conclusions

DPT ranks third behind the Fire Department and Muni in workers compensation expenditures per employee. Actual expenditures have increased by 24 percent per year over the past five fiscal years. Projected FY 1998-99 expenditures are \$2,143,948, or \$420,359 more than budgeted expenditures. Currently, DPT spends an average of \$7,063 per claim, and 44 percent of DPT's workforce has at least one active workers compensation claim.

Additionally, 86 percent of work-related injuries result in lost workdays. Work-related injuries have resulted in 20,836 lost workdays over the past nine years. This corresponds to lost productivity of nearly \$4.2 million in salaries and benefits, or an average of \$465,867 annually. In addition, this lost productivity negatively impacts service levels, thereby contributing to increased traffic congestion, reduced parking turnover, reduced revenues, and increased complaints from the public.

Employees missed an average of 66 workdays each, with 91 employees missing more than three months of work, including 15 employees missing more than one year of work. One employee missed over three years of work as a result of an injury. We also identified numerous instances of employees filing multiple claims in one year, in successive years at the same time of year, or for the same type of injury, indicating potential abuse of the workers compensation system.

DPT has developed a Workers Compensation Cost Containment Plan. We support the funding and implementation of this plan, including improved case management and claims administration. In addition, we recommend that DPT expand its Modified Duty Program and the use of Industrial Disability Retirements in order to improve worker productivity and reduce workers compensation costs.

The implementation of our recommendations would enable DPT to reduce its workers compensation costs by \$2,776,341 over the next five years. This would be partially offset by additional costs of \$1,265,601, resulting in net savings of \$1,510,739 in the first five years, with on-going net savings of \$1,451,080 per year thereafter.

Recommendations

The Executive Director should:

- 2.1 Request additional funding of \$68,412 in FY 1999-00 for a limited tenure Claims Adjuster position dedicated to handling DPT's workers compensation claims.
- 2.2 Request additional funding of \$28,500 in FY 1999-00 to conduct training for managers and supervisors on workers compensation, modified duty and related issues.
- 2.3 Request additional funding of \$107,650 in FY 1999-00 for temporary salaries to create temporary modified duty assignments for injured employees eligible for the Modified Duty Program.

- 2.4 Request additional funding of \$36,000 in FY 1999-00 to conduct Worksite Ergonomic Analyses so that more specific information regarding position requirements can be provided to physicians who treat injured employees.
- 2.5 Proceed with the Special Assistant's plan to develop performance standards to evaluate the performance of managers and supervisors in controlling workers compensation expenditures.
- 2.6 Proceed with the Special Assistant's plan to distribute workers compensation claims and expenditure information to managers and supervisors on a regular basis.
- 2.7 Proceed with the Special Assistant's plan to develop an incentive program to reward managers and supervisors for reducing workers compensation costs.
- 2.8 Request additional funding of \$47,921 in FY 1999-00 for an additional 0.5 FTE Safety Analyst position.
- 2.9 Continue to dedicate the existing Special Assistant to the Director to coordinating and implementing a Workers Compensation Cost Containment Plan.
- 2.10 Establish a goal of reducing the growth rate in workers compensation expenditures from an average of 15 percent annually to 5.0 percent annually over the next five fiscal years.

The Mayor's Office and the Board of Supervisors should:

- 2.11 Approve DPT's requests for additional funding for controlling workers compensation costs in FY 1999-00 through FY 2001-02.
- 2.12 After FY 2001-02, approve continued funding for DPT's Workers Compensation Cost Containment Plan based on DPT's ability to demonstrate reductions in its workers compensation expenditures.
- 2.13 Direct the Workers Compensation Division, the Retirement Board and other City departments to perform an analysis comparing the cost of industrial disability retirements with the costs and benefits of utilizing injured employees in a modified duty capacity.
- 2.14 Direct the Workers Compensation Division and the Retirement Board to establish protocols for determining whether an employee can be granted an Industrial Disability Retirement, in order to enable City departments to

make greater use of the Industrial Disability Retirement provisions of the Charter.

- 2.15 Evaluate and consider recommendations for improvements to the City's current strategies for controlling workers compensation costs citywide.

Costs and Benefits

Our recommended Workers Compensation Cost Containment Plan would involve expenditures of between \$231,822 and \$288,483 annually in the next five years and on-going expenditures of approximately \$266,022 annually thereafter. The implementation of our recommendations would enable DPT to reduce its workers compensation expenditures by \$2,776,341 over the first five years, offset by expenditures of \$1,265,601 during this period, for a net savings in workers compensation expenditures of \$1,510,739 over the next five years. The on-going net savings would be approximately \$1,451,080 annually. We estimate that growth in DPT's workers compensation expenditures would slow from the current average growth rate of 15 percent annually to an average growth rate of approximately 5.0 percent per year.

Other benefits would include (a) increased worker productivity resulting from improved attendance and the use of modified duty assignments; and (b) improved administration of workers compensation claims. In addition, the greater utilization of the Industrial Disability Retirement provisions of the Charter would enable the DPT to (a) create an additional option for permanently injured employees who may not be suitable for modified duty; (b) fill positions currently occupied by permanently disabled employees with new, fully productive employees; (c) separate employees for whom the City may incur substantial indemnity and medical expenditures through the workers compensation system; and (d) potentially realize savings in workers compensation costs by transferring a portion of these costs and savings to the Employees Retirement System.

Section 3 Fleet Management

- DPT's Enforcement Division currently has a sufficient number of vehicles in its fleet and available for service to meet its daily vehicle needs, and has made significant progress in improving its ability to track vehicle repair costs.
- Nonetheless, the average maintenance costs for DPT vehicles are very high. In FY 1997-98, DPT spent \$0.39 per mile on maintenance costs (excluding fuel), or three times the manufacturer's estimate of \$0.13 per mile for 3-wheel motorcycles. We identified three principal reasons for this: (1) 65 percent of DPT's vehicles are at the end or have already surpassed their recommended vehicle life; (2) the practice of repairing rather than retiring aging vehicles in need of costly repairs; and (3) an inadequate level of preventive maintenance.
- For example, we found that the average repair costs for older vehicles was 127 percent higher than the average repair costs for newer vehicles. In addition, we identified several examples of extremely costly repairs: repairs costing \$5,625 were done on a seven-year old Cushman with a book value of only \$534, while repairs costing \$4,789 were performed on another six-year old Cushman with a book value of \$1,205. One seven-year old Cushman with a book value of \$124 incurred \$6,898 in repair costs in one year, while another six-year old Cushman with a book value of \$1,752 incurred repair costs of \$5,868 in one year.
- DPT should implement a regular replacement schedule for its entire vehicle fleet. The estimated cost to replace its 3-wheel vehicle fleet would be \$750,545 annually. A regular replacement schedule would eliminate the need for large acquisitions that result in a large part of the fleet aging at the same time, thus necessitating further large acquisitions in the future. Regularly replacing vehicles when they can no longer be operated economically would eliminate the need for costly repairs of aging vehicles, thereby reducing DPT's maintenance costs. If the Enforcement Division can reduce its maintenance costs from \$0.39 per mile to the manufacturer's estimate of \$0.13 per mile, this would result in on-going savings of \$321,371 annually. This could be used to partially offset the cost of a vehicle replacement program.

This section of our report provides a review of the vehicle assignment practices, maintenance costs and acquisition policies of the Department of Parking and Traffic (DPT), with primary focus on the Enforcement Division. The general purpose of this review was to provide recommendations on vehicle assignment policies, vehicle maintenance practices, and a vehicle acquisition strategy which are consistent with

the needs of DPT and the City's budgetary resources. Within this general purpose were specific goals, including: (1) ensuring that an adequate number of vehicles are available for DPT staff; (2) a reduction in the cost of operating DPT vehicles; (3) increased reliability of DPT vehicles; and (4) a regular replacement schedule for DPT vehicles.

To accomplish these objectives, we:

- Interviewed the Enforcement Division's Fleet Manager and the Assistant Superintendent of Central Shops;
- Obtained and reviewed data on fleet inventory, vehicle purchases and turn-ins, downtime, vehicle age, mileage, and manufacturer's estimated vehicle maintenance costs for Enforcement Division vehicles;
- Selected a sample of 3-wheel motorcycles and reviewed their maintenance and repair histories, as maintained by the Central Shops Division, for the period from July 1, 1993 through July 31, 1998;
- Reviewed Enforcement Division vehicle assignment practices; and
- Evaluated various vehicle replacement plans for DPT vehicles.

As of the writing of this report, the Enforcement Division had a fleet of 261 vehicles, consisting of 217 3-wheel motorcycles (e.g., GO-4s, Cushmans, and Kosmans), 34 Geo Metros, five Chevrolet Trackers, and five vans. However, the average fleet size between July, 1995 and January, 1999, was only 241 vehicles per month, based on vehicle purchases and retirements that occurred at various times during that period. The Board of Supervisors approved the purchase of 65 new 3-wheel motorcycles (GO-4s) through a supplemental appropriation ordinance in FY 1997-98, when 65 new PCO positions were added to DPT's budget. DPT advises that these 65 vehicles have been ordered and are scheduled to be delivered by April, 1999. In addition, DPT advises that, because of the positive experience it has had with the 34 4-wheel Geo Metros purchased in 1998, it is now considering expanding the use of Geo Metros, which cost only \$11,000 each, versus the \$20,285 cost of 3-wheel vehicles.

The Enforcement Division has one 1838 Equipment and Storage Assistant Supervisor (Fleet Manager), hired in November, 1997, to manage the fleet. Prior to this date, the Fleet Manager's responsibilities were handled by a PCO. The Fleet Manager oversees a staff of four PCOs (including two PCOs on modified duty) and one clerical employee. Maintenance and repair of DPT vehicles is performed by the City's Central Shops Division of the Purchasing Department. Funds to pay for the maintenance and repair of these vehicles are transferred from DPT's budget to the

Central Shops budget. In FY 1997-98, the Enforcement Division incurred \$475,000 in expenditures for the maintenance and repair of its vehicles. The FY 1998-99 budget for maintenance is \$520,070.

Vehicle Assignments and Availability

Section 6-2 of the Enforcement Division's Policies and Procedures Manual contains general guidelines on vehicle assignments. According to the Fleet Manager, DPT has a "pride of ownership" policy, in which the same vehicle is normally assigned to each PCO for as long as that PCO is employed by DPT. The Fleet Manager advises that this policy is based on the assumption that a PCO will be more likely to take good care of a vehicle if that vehicle has been permanently assigned to him/her.

The Fleet Manager requires his staff to complete a Daily Vehicle Assignment Report in order to track vehicle assignments, reassignments and returns each day. When fleet management staff are off-duty (weekdays after 7:00 pm and on weekends), these reports are supposed to be completed by the on-duty PCO Supervisors. However, because the PCO Supervisors are not as conscientious about filling out the daily vehicle reports, the reports are often not filled out or are incomplete. In addition, PCO Supervisors often make changes in the normal vehicle assignments without documenting these changes on the daily vehicle report, therefore making it difficult for fleet management staff to track vehicle assignments and returns. This problem is further exacerbated by the fact that all 27 PCO Supervisors have access to the equipment room (where vehicle keys and radios are stored) and can come and go as they please without documenting their actions. This creates potential security and internal control problems. Only one PCO Supervisor per shift should have access to the equipment room when fleet management staff are off-duty, and this PCO Supervisor should be responsible for tracking all vehicle assignments and returns during his/her shift.

Vehicle Availability

It is essential that a sufficient number of vehicles are available in order for PCOs to be able to perform their duties effectively. If a sufficient number of vehicles are not available, PCOs are usually assigned to a walking beat. According to DPT, PCOs cannot cover as much ground on a walking beat as they can with a vehicle. As a result, parking regulations cannot be enforced as effectively, thereby contributing to increased congestion and parking violations on City streets, as well as a negative impact on revenues.

In order to assess vehicle availability in the Enforcement Division, we compared the Enforcement Division's fleet inventory to its scheduled and available staffing levels

on a daily basis. Based on information provided by Enforcement Division managers, Enforcement Division personnel are assigned the 256 3-wheel vehicles, Geo Metros, and Chevrolet Trackers as follows:

- Four vehicles are shared among six managers in the Enforcement Division.
- Vehicles are assigned to all PCO Supervisors in the field.
- Vehicles are assigned to all PCOs in the field, with the following exceptions: (1) 10 PCOs who are assigned to bicycle beats; (2) two PCOs in the Boot Detail who drive vans; and (3) two PCOs in the Yellow Zones Detail who ride in tow trucks.

We applied this vehicle assignment schedule to the scheduled and available staffing levels in the Enforcement Division in order to produce a profile of vehicle demand. We then compared this demand estimate with the current fleet inventory, adjusted for vehicle repair duration data received from the Enforcement Division's Fleet Manager. Our analysis shows that, although the number of scheduled staff that need a vehicle exceeds the number of vehicles available on four days of the week (Tuesday through Friday), when actual attendance is taken into account, there is actually a daily surplus of vehicles in the Enforcement Division. Table 3.1 below summarizes the results of this analysis.

Table 3.1
Vehicle Demand by Day of Week,
DPT Enforcement Division

	Total	Mon	Tue	Wed	Thu	Fri	Sat	Sun
No. of Scheduled Staff with Vehicle Needs	268	225	251	251	253	248	66	36
No. of Available Staff with Vehicle Needs*	215	181	203	202	203	195	51	27
Fleet Inventory (exc. vans)	256	256	256	256	256	256	256	256
No. of Vehicles Available**	236	236	236	236	236	236	236	236
Vehicle Surplus/Deficit	21	55	33	34	33	41	185	209

* This assumes that 80 percent of scheduled shifts are actually worked, based on actual attendance data for PCOs and PCO Supervisors.

** This assumes vehicle availability of 92 percent, based on vehicle repair duration data provided by the Enforcement Division's Fleet Manager.

As shown in Table 3.1, we developed comparisons based on 80 percent attendance (the percentage of scheduled shifts that are actually worked by PCOs and PCO Supervisors). This figure is based on the actual attendance by PCOs and PCO

Supervisors assigned to regular assignments (i.e., excluding staff on long-term disability or sick leave), as determined from our database of absences discussed in Section 1 of this report. In addition, based on vehicle duration repair data provided by the Fleet Manager, we found that the average vehicle downtime for Enforcement Division vehicles was approximately 4.3 days, which corresponds to an average of eight percent of vehicles out of service on any given day. This is slightly higher than DPT's standard that no more than five percent of vehicles should be out of service on any given day.

In addition to conducting the above analysis, we also devised some scenarios in order to test vehicle demand under various circumstances. For example, we found that, even if there were a reduction in absenteeism to a more appropriate level among Enforcement Division staff (e.g., from 20 percent to 15 percent of scheduled shifts missed), the Enforcement Division would still experience a daily surplus of vehicles. On the other hand, if the Enforcement Division were fully staffed (i.e., an additional 39 PCO and PCO Supervisor positions were filled and available for a field assignment), and even if there were improvements in vehicle availability (to 95 percent availability), there could be a vehicle shortfall of up to 10 vehicles per day. Nonetheless, such a situation could be easily fixed once the 65 new vehicles currently on order are delivered. As such, it can be concluded that the Enforcement Division currently has a sufficient number of vehicles in its fleet and available for assignment in order to meet its vehicle needs on a daily basis.

Vehicle Maintenance Policies and Procedures

Section 6-3 of the Enforcement Division's Policies and Procedures Manual states that each employee is responsible for the maintenance of the vehicle to which he/she has been assigned and describes the steps that must be taken by each PCO in order to ensure the safe operation of his/her vehicle. For example, each PCO must perform a pre-trip inspection prior to starting his/her shift, fill the gas tank upon completion of his/her shift, and make sure that the vehicle receives maintenance and repairs when necessary. According to the Central Shops Division, PCOs are supposed to bring in their Enforcement vehicles for routine service approximately once every 1,300 miles. A pool of reserve vehicles is available for PCOs when they take their vehicles in for maintenance.

From our interviews with the Fleet Manager, we learned that, prior to his hiring in November, 1997, the Enforcement Division did not track and monitor vehicle maintenance. For example, vehicle repairs were performed by Central Shops personnel without the prior authorization or even awareness of DPT supervisors. Repair costs for individual vehicles were not monitored, as the prevailing practice

was to deposit all repair record slips received from Central Shops into a cardboard box, without sorting or filing them. The Fleet Manager reports that the cardboard box has since been misplaced and is now missing. Records on accidents and vehicle downtime and availability were also not maintained prior to November, 1997.

In November of 1997, the Fleet Manager started to maintain files for each vehicle. Each file contains repair and accident records, receipts, registration documents, photographs, etc. for each vehicle. In addition, the Fleet Manager maintains databases on vehicle downtime, accidents, vehicle inventory and mileage. All repairs must be authorized by fleet management staff before they can be completed by Central Shops. The Fleet Manager requires his staff to obtain a cost estimate for each repair from Central Shops before authorizing the repair. Fleet management staff are notified by Central Shops when the repair is complete. Repair costs are now tracked for each vehicle. In addition, through working with the City Attorney's Office, DPT now makes attempts to obtain reimbursement for vehicle repairs in accidents in which the other driver was at fault.

Vehicle Maintenance Costs

Although the Enforcement Division has made significant progress since November, 1997 in implementing policies and procedures for tracking vehicle repairs, the average repair costs for Enforcement Division vehicles are still quite high compared to industry standards. We obtained the manufacturer's estimated vehicle maintenance costs for 3-wheel motorcycles from the Enforcement Division's Fleet Manager. According to this standard, based on an average of 7,800 miles per vehicle per year, the average annual cost to maintain a 3-wheel motorcycle should be approximately \$1,033 per year (including parts and labor but excluding fuel¹). However, based on the Enforcement Division's actual FY 1997-98 expenditures for vehicle maintenance of \$475,000, the Enforcement Division spent \$2,179 per vehicle,² or \$1,146 more (111 percent) than the manufacturer's estimate.

We also found that Enforcement Division vehicles travel an average of only 5,568 miles per year, or 2,232 fewer miles than the manufacturer's cost estimate assumes. Therefore, we calculated the Enforcement Division's maintenance cost on a per mile basis and compared it to the manufacturer's estimated maintenance cost per mile. Based on these calculations, we found that the Enforcement Division spent \$0.39

¹ The manufacturer estimated that approximately 17.2 hours of labor per year would be required. We applied Central Shops' current average hourly rate of \$29.92 in order to calculate the average annual labor cost.

² Based on the average fleet size of 218 vehicles during FY 1997-98.

per mile on maintenance, or three times higher than the manufacturer's estimate of only \$0.13 per mile.

We identified three principal reasons for the Enforcement Division's high maintenance costs:

- The average age of Enforcement Division vehicles has historically been above the expected life for such vehicles;
- In the past, rather than retiring aging vehicles that required costly repairs, such repairs were often made in order to ensure that a sufficient number of vehicles were available for PCOs; and
- There has been an inadequate level of preventive maintenance for Enforcement Division vehicles.

The high cost of maintaining DPT's 3-wheel vehicles also indicates a potential problem with vehicle reliability. Although we found that this does not currently cause problems in terms of vehicle availability, as DPT's fleet ages, its vehicles will become less and less reliable, and therefore less likely to be available for assignment. As noted earlier, if a sufficient number of vehicles are not available, PCOs will be unable to enforce parking regulations as effectively, thereby contributing to increased congestion and parking violations on City streets, as well as a negative impact on revenues.

An Aging Vehicle Fleet

According to DPT, the recommended life cycle for 3-wheel vehicles is between five and seven years and the Bay Area average life cycle for such vehicles is 4.5 years. The average age of the Enforcement Division's fleet is currently 6.6 years. Prior to the purchase of 71 new vehicles in 1998, the average age of Enforcement Division vehicles was 7.7 years. There are 109 vehicles (42 percent of the fleet) that are over seven years old. There are an additional 61 vehicles (23 percent of the fleet) that are now seven years old and are therefore at the end of the recommended life cycle. Thus, approximately 170 vehicles (65 percent of the fleet) may need to be replaced within the next year. The oldest group of 3-wheel vehicles (16 Honda Kosmans) are now 14 years old.

This aging vehicle fleet could potentially impact service levels, since older vehicles are likely to be less reliable and thus out of service more frequently. Furthermore, as vehicles age, the cost to repair them tends to increase. To confirm this, we randomly selected a sample of 81 vehicles from the Enforcement Division's fleet and reviewed their maintenance and repair histories using data obtained from Central Shops for the period from July 1, 1993 through July 31, 1998. Based on a

comparison of annual repair costs between older and newer vehicles, we found that the average annual repair cost for vehicles more than seven years old was 127 percent higher than the average annual repair cost for vehicles of seven years of age or less. Moreover, 62 percent of the annual maintenance costs incurred by the Enforcement Division were for vehicles in excess of seven years old, which represent only 44 percent of the fleet.

Costly Vehicle Repairs

In addition to the aging vehicle fleet, DPT's practice of repairing rather than retiring vehicles in need of costly repairs has contributed to the high average cost of maintaining Enforcement Division vehicles. To verify this, we compared the cost of individual repairs in our database to the book value of vehicles at the time of each repair (based on an estimated useful life of seven years). We identified 793 repairs (27 percent of the 2,951 repairs in our database) where the cost of the repair exceeded the book value of the vehicle at the time the repair was done. For example, in one instance, repairs costing \$5,625 were done on a seven-year old Cushman with a book value of only \$534. In another instance, repairs costing \$4,789 were performed on a six-year old Cushman with a book value of \$1,205. We estimate that DPT spends approximately \$124,000 on such repairs on an annual basis.

We also identified 131 instances (60 percent of the sample size of 220) in which annual repair costs for a vehicle exceeded the vehicle's book value. For example, one seven-year old Cushman with a book value of \$124 incurred \$6,898 in repair costs in one year, while another six-year old Cushman with a book value of \$1,752 incurred repair costs of \$5,868 in one year.

DPT has also identified numerous examples of vehicles in the Traffic Engineering and Operations Division that incurred excessive repair costs in a single year. For example, one 15-year old pick-up incurred repair costs of \$6,288 in one year and was out of service for 38 days. Another 18-year old pick-up incurred repair costs of \$4,739 and was out of service for 23 days in one year. A 12-year old passenger vehicle incurred \$4,373 in repair costs and was out of service for 29 days in one year.

Inadequate Preventive Maintenance

A third reason that may be contributing to the high cost of maintaining Enforcement Division vehicles is the inadequate level of preventive maintenance provided to such vehicles. As noted earlier, PCOs are responsible for maintaining their own vehicles and are required to bring in their vehicles for routine service approximately once every 1,300 miles. Thus, based on the average mileage for 3-wheel vehicles of 5,568 miles per year, one would expect that each vehicle should be

brought in for routine maintenance 4.3 times per year (on average). However, from our sample, we found that vehicles received routine service on average only 2.9 times per year, or about one-third less than necessary. This indicates that PCOs are not always paying careful attention to when service is needed in order to ensure that their vehicles are properly maintained. This inadequate level of preventive maintenance may lead to more costly repairs later on in the vehicle's life cycle, thereby contributing to the high cost of maintaining Enforcement Division vehicles.

Vehicle Replacement

Administrative Code Section 4.10-1 states that the Purchaser should inspect each vehicle once it has reached six years of age or 60,000 miles, and based on the vehicle's condition, usage, and maintenance and repair history, recommend its retention or replacement. According to DPT, Central Shops usually expects individual City departments to determine if and when vehicle replacements are necessary. However, a department's ability to replace vehicles is often constrained by budgetary limitations, since funding is usually not immediately available to replace vehicles that need to be replaced. Therefore, DPT's only option has often been to repair vehicles, regardless of their age and condition, since retiring such vehicles without replacing them would have a negative service (and revenue) impact. As noted earlier, this practice has contributed to the high average cost of maintaining DPT vehicles.

There currently is no vehicle replacement schedule for DPT vehicles. DPT purchased 113 vehicles for the Enforcement Division in its first two years of existence (1990 and 1991). No additional vehicles were purchased until FY 1995-96, when 14 vehicles were purchased. In FY 1996-97 and FY 1997-98, 22 and 49 vehicles were purchased, respectively, for a total of 85 vehicles purchased in the past three years. Although DPT implemented a seven-year vehicle replacement plan in FY 1997-98, this initiative was funded by the Mayor's Office for only one year and discontinued in FY 1998-99, despite a large budget surplus and the creation of reserves for investment. DPT's inability to consistently replace vehicles each year has resulted in an aging vehicle fleet with escalating repair costs.

DPT needs to implement and the City needs to fund a vehicle replacement plan for all DPT vehicles. As previously noted, there are currently 109 3-wheel vehicles (42 percent of the Enforcement Division's fleet) that exceed the recommended life cycle of five to seven years for 3-wheel vehicles. As many as 65 of these could be replaced once DPT receives delivery of its most recent purchase of 65 new vehicles, without negatively impacting service levels. This would still leave 44 vehicles in need of

replacement. Moreover, an additional 61 vehicles are now seven years old and therefore need to be replaced soon.

We therefore recommend that DPT implement a regular replacement schedule for its entire vehicle fleet. For example, to replace the Enforcement Division's fleet of 261 vehicles on a seven-year cycle, approximately 37 vehicles would have to be purchased each year. Rather than automatically replacing 37 vehicles each year, however, we recommend that DPT and Central Shops assess each vehicle that has reached or surpassed seven years of age in order to determine whether it can no longer be operated economically and should therefore be replaced. Thus, sufficient funding should be set aside to replace as many as 37 vehicles each year; however, if less than 37 vehicles require replacement in a particular year, a portion of the funding earmarked for vehicle replacement in that year can be carried forward to the next fiscal year.

At an estimated cost of \$20,285 per vehicle, the total cost to purchase 37 replacement 3-wheel vehicles would be \$750,545 annually. However, this amount may decline over time if DPT is able to retain vehicles that can still be operated economically beyond the seven-year lifecycle. In addition, expanding the use of Geo Metros, which cost only \$11,000 each, would reduce the required investment substantially. Nonetheless, this investment represents an expenditure that will have to be incurred by the City in any event, since DPT will eventually have to replace all of its vehicles, or else face severe service and revenue impacts. It is preferable that the City incur these expenditures sooner rather than later, in order to avoid losing control of DPT's escalating vehicle maintenance costs.

A regular vehicle replacement schedule would eliminate the need for large (and costly) periodic acquisitions that result in a large part of the fleet aging at the same time, thus necessitating further large acquisitions in the future. In addition, regularly replacing vehicles when they can no longer be operated economically would eliminate the need for costly repairs of aging vehicles, thereby leading to a reduction in DPT's maintenance costs. Improved preventive maintenance of Enforcement vehicles by PCOs would also contribute to lowering vehicle maintenance costs. If the Enforcement Division can reduce its maintenance costs from \$0.39 per mile to the manufacturer's estimate of \$0.13 per mile, this would result in on-going savings of \$321,371 annually (based on estimated annual mileage of 1,236,042 miles for all Enforcement Division vehicles). Alternatively, if the Enforcement Division can reduce its maintenance costs by approximately one-half, from \$0.39 per mile to \$0.20 per mile, this would result in on-going savings of \$234,848 annually. Additional savings in maintenance costs could be achieved by regularly replacing vehicles in the Traffic Engineering and Operations Division's fleet. These savings could be used to partially offset the cost of a vehicle replacement program.

Once DPT's current fleet is completely replaced, there would be a savings over time since large sums of money would no longer have to be separately appropriated to fund replacement vehicles every few years. For example, the 65 new Enforcement vehicles most recently purchased required a lump sum appropriation of \$1,318,525. Thus, in the long run, there would be no net additional costs associated with implementing this recommendation. In addition, DPT would realize savings in its vehicle maintenance costs over time.

Conclusions

DPT's Enforcement Division currently has a sufficient number of vehicles in its fleet and available for service to meet its daily vehicle needs, and has made significant progress in improving its ability to track vehicle repair costs.

Nonetheless, the average maintenance costs for DPT vehicles are very high. In FY 1997-98, DPT spent \$0.39 per mile on maintenance costs (excluding fuel), or three times the manufacturer's estimate of \$0.13 per mile for 3-wheel motorcycles. We identified three principal reasons for this: (1) 65 percent of DPT's vehicles are at the end or have already surpassed their recommended vehicle life; (2) the practice of repairing rather than retiring aging vehicles in need of costly repairs; and (3) an inadequate level of preventive maintenance.

For example, we found that the average repair costs for older vehicles was 127 percent higher than the average repair costs for newer vehicles. In addition, we identified several examples of extremely costly repairs: repairs costing \$5,625 were done on a seven-year old Cushman with a book value of only \$534, while repairs costing \$4,789 were performed on another six-year old Cushman with a book value of \$1,205. One seven-year old Cushman with a book value of \$124 incurred \$6,898 in repair costs in one year, while another six-year old Cushman with a book value of \$1,752 incurred repair costs of \$5,868 in one year.

DPT should implement a regular replacement schedule for its entire vehicle fleet. The estimated cost to replace its 3-wheel vehicle fleet would be \$750,545 annually. A regular replacement schedule would eliminate the need for large acquisitions that result in a large part of the fleet aging at the same time, thus necessitating further large acquisitions in the future. Regularly replacing vehicles when they can no longer be operated economically would eliminate the need for costly repairs of aging vehicles, thereby reducing DPT's maintenance costs. If the Enforcement Division can reduce its maintenance costs from \$0.39 per mile to the manufacturer's estimate of \$0.13 per mile, this would result in on-going savings of \$321,371 annually. This could be used to partially offset the cost of a vehicle replacement program.

Recommendations

The Executive Director should:

- 3.1 Implement a vehicle replacement program for all DPT vehicles and request funding in DPT's FY 1999-2000 budget to fund this program.

The Enforcement Director should:

- 3.2 Consider expanding the use of less costly Geo Metros instead of 3-wheel vehicles in the Enforcement Division's fleet.
- 3.3 Appoint one PCO Supervisor per shift to have access to the equipment room, to monitor vehicle assignments and returns, and to complete Daily Vehicle Assignment Reports when fleet management staff are off-duty.
- 3.4 Develop a system to ensure that PCOs are tracking vehicle mileage and bringing in their vehicles for preventive maintenance when necessary.

The Mayor and the Board of Supervisors should:

- 3.5 Approve funding in FY 1999-2000, and in subsequent years, for a vehicle replacement program for DPT's entire vehicle fleet.

Costs and Benefits

The total cost to purchase 37 replacement 3-wheel vehicles would be \$750,545 annually. However, this amount may decline over time if DPT is able to retain vehicles that can still be operated economically beyond the seven-year lifecycle. In addition, expanding the use of Geo Metros, which cost only \$11,000 each, would reduce the required investment significantly.

A regular and stable vehicle replacement schedule would eliminate the need for large, high-cost acquisitions that result in a large part of the fleet aging at the same time, thus necessitating further large acquisitions in the future. In addition, regularly replacing vehicles when they can no longer be operated economically would eliminate the need for costly repairs of aging vehicles, thereby leading to a reduction in DPT's maintenance costs. Improved preventive maintenance of Enforcement vehicles by PCOs would also contribute to lowering vehicle maintenance costs. If the Enforcement Division can reduce its maintenance costs

from \$0.39 per mile to the manufacturer's estimate of \$0.13 per mile, this would result in on-going savings of \$321,371 annually. If the Enforcement Division can reduce its maintenance costs by approximately one-half, from \$0.39 per mile to \$0.20 per mile, this would result in on-going savings of \$234,848 annually. Additional savings in maintenance costs could be achieved by regularly replacing vehicles in the Traffic Engineering and Operations Division's fleet.

Section 4 Parking Meter Program

- The Department of Parking and Traffic (DPT) Traffic Operations Division is responsible for the City's Parking Meter Program including the maintenance, repair and collection of revenue from approximately 22,700 parking meters throughout the city. The Parking Meter Program consists of a Parking Meter Maintenance Division, a Parking Meter Collections Manager, parking meter collection services provided by an outside contractor and coin counting services provided by MUNT's Revenue Department.
- DPT is currently preparing a Request for Proposal (RFP) that would replace about 22,700 mechanical meters with electronic meters. The Department is also considering that a portion of the current Parking Meter Program be managed by an outside contractor.
- The Parking Meter Program suffers from poor coordination of staffing and resources. For example, two critical functions, the Parking Meter Maintenance Shop and the Parking Meter Repair Shop, have until very recently staff vacancy rates of 25 percent and 40 percent respectively. This has contributed to a low revenue collection rate of only 40.9 percent of a reasonable rate of collection, or \$2.21 per day per meter instead of \$5.40 per meter. Although it can be expected that the introduction of electronic meters will improve the collection of revenue, other measures can also be implemented to increase the revenues to the City even further and to increase the availability of short-term parking.
- The Department should consider all options in its pending RFP that would both implement the replacement of its current meter inventory with electronic meters and would streamline the current operations of its Parking Meter Program. We estimate that other improvements in addition to the conversion to electronic meters will provide a net increase of \$2.9 million annually.

This performance audit reviewed the City's Parking Meter Program including program operations, meter maintenance and repair, inventory control, revenue collection, parking meter security and revenue counting. In a separate Section, we have discussed Parking Control Officer deployment and staffing which has an additional impact on the management and coordination of the parking meters operations.

Electronic Meters

This performance audit of the City's Parking Meter Program was done during the time that the Department of Parking and Traffic (DPT) is preparing a Request for Proposal (RFP) to hire an outside contractor to replace all of the existing mechanical parking meters with electronic parking meters.¹ The development of a RFP replaces the current FY 1998-99 budget objective to hire 12.0 FTEs to install the electronic meter replacements because of the uncertainty about the new electronic meter technology and interest by the Board of Supervisors in piloting some other new parking equipment. The DPT expects to complete the development of its RFP in March 1999.

According to DPT's Finance Director, the proposed RFP would permit a broader approach to the converting all of the City's mechanical meters to electronic meters. A broader approach would expand the scope of the meter conversion and would include: (1) a testing of the electronic locking system, (2) the development of a common data base with an integrated system, (3) the introduction and promotion of "smart" cards, (4) a common mapping system that integrates collections with repairs and (5) an integrated collection process. DPT advises that the RFP would not entertain the inclusion of maintenance and repair nor the operations of the Parking Control Officers as part of an overall package for an outside contract.

A General Fund reserve of \$1,660,166 was established in the FY 1998-99 budget to begin citywide installation of electronic parking meters. Since the proposed RFP will delay that objective even further, it is likely that the reserve of \$1,660,166 will not be needed during the current fiscal year.

Currently, the DPT has approximately 22,700 parking meters in its inventory of street and parking lot locations that are located within 19 DPT parking meter repair districts throughout the City.² During the past two years the DPT has purchased up to 3,000 test electronic meters and deployed approximately 1,000 of them to various collection routes (on-street and parking lot) to test their reliability prior to replacing all of the remaining mechanical meters.

¹ In November 1995, the Board of Supervisors passed a resolution urging the Parking and Traffic Commission and the Mayor to install electronic meters throughout the City as soon as practicable. A proposal to fund the installation of electronic meters throughout the City was submitted in FY 1996-97 and again in FY 1997-98 but the Mayor's Office did not fund these requests.

² Based on the latest inventory completed by the Department of Parking and Traffic Meter Division, dated June 8, 1998, which provides a matrix displaying meter repair districts. These districts are different from the collection routes and zones used to collect the parking meter revenues.

The RFP for the implementation of new electronic meters would seek other services as well as the installation of the electronic meters. Other parking meter related activities that may be considered in the proposed RFP could include:

- The development of an overall design that would tailor the City's parking meter program to an optimum operating plan and coordination of participating departments, agencies and outside vendors.
- The use of smart cards could be incorporated in any overall plan to convert to electronic meters to introduce and increase the use of debit cards and reduce and eventually replace the need for coins to purchase time at a parking meter location.
- The design of a parking meter mapping system that could integrate the current routes used by the parking revenue collectors and the maintenance and repair districts used by the parking meter repairers and machinists.
- The use of other electronic pay parking machines such as "Pay and Display" for street and parking lot areas that would be more suitable for these alternative pay-as-you-go parking control devices.
- The development of a cash collection and counting system that would provide for the deposit of revenue on the same day that the revenue has been collected.
- The provisions of a financial guarantee in the form a fixed minimum payment to the City if the entire parking meter function or a substantial portion of the parking meter function is contracted out to a private vendor.
- The alternative of contracting out the maintenance and repair of parking meters provided that the privatization of this activity would substantially reduce the time that a meter is broken. As noted earlier, this alternative is not being considered in the DTP's development of a RFP.

Current Parking Meter Program

The current Parking Meter Program is managed by several different entities including:

- 1) The Parking Meters Shop, a subdivision of the Traffic Operations Division which is responsible for the maintenance and repairs of parking meters;

- 2) The Parking Meter Collections Manager, who supervises the Parking Meter Collections contract and reports separately to the Traffic Operations Division Manager;
- 3) The Municipal Railway (MUNI) Revenue and Collections Department which counts the parking meter revenue; and
- 4) The Disabled Person's Placard Enforcement Program in the Field Operation Unit of the DPT Enforcement Division, which enforces and controls parking regulations.

Because of this diverse organization of responsibility, management coordination is extremely important in order to maximize the effectiveness and efficiency of the City's Parking Meter Program.

Review and Analysis of Parking Meter Program

As part of our analysis, we examined how well each of the various components that make up the existing parking meter operations are managed and coordinated in order to maximize the effectiveness and efficiency of the City's Parking Meter Program. The purpose and goal of the City's Parking Meter Program is to use parking meters and parking time limits to increase the availability of short-term parking through turnover and to ensure that revenue collection is maximized and secure.³ To accomplish these objectives, we:

- Reviewed organizational charts, budget documents and performance measures for the Parking Meter Division, Parking Meters Collection Manager, Muni's receipt and counting of revenue operations, and the contractual obligations of the parking meters collections contractor;
- Interviewed managers in the Parking Meter Division, Parking Meters Collection, MUNI's Revenue and Collections Department, related supervisors and line staff;
- Obtained and examined district repair route descriptions and district log books and collection route maps;
- Reviewed departmental and division policies and procedures manuals when such documents were available;

³ Fiscal Year 1998-99, Department of Parking and Traffic Program Budget, Phase C, page 42.

- Obtained information from supervisors and managers on daily staffing requirements and general deployment practices;
- Discussed current security measures to protect and ensure that the current revenue collection process is safe and effective and that additional meter losses due to vandalism are minimized;
- Analyzed management reports and selected computer print-outs that tracked key events for the maintenance, repair and replacement of individual parking meters; and
- Accompanied Parking Meter Repairers and Parking Meter Collectors in the field to observe specific problems and opportunities that occurred during the performance of their duties and responsibilities.

Based on our review of the current operations of the City's Parking Meter Program, we conclude that revenues can increase as the result of a combination of (1) the replacement of the existing mechanical meters with electronic meters and (2) the implementation of improved operations. The Department is currently on course to do the former, which is to replace its current inventory of mechanical meters with electronic meters. That action should reflect a measured improvement to revenue collection and security. However, other steps should be taken to improve operations and management of its current Parking Meter Program.

At the present time, the Parking Meter Program suffers from poor coordination of manpower and resources that has resulted in a lack of parking turnover and extremely low revenue returns. The DPT does not repair a broken meter or replace a vandalized meter within a reasonably short period of time.

This Section discusses measures that can be taken to improve operations and program coordination, over and above the improvements that will result from electronic meters, and therefore further increase the revenue stream and short term parking availability through improvements to program operations. An increased revenue stream will more than pay for any increased costs to improve the management and coordination of the parking meter program.

Parking Meter Revenue

At the present time the Department has estimated parking meter revenue for FY 1998-99 at \$12.8 million.⁴ We estimate that with 22,700 meters (including approximately 3,500 meters in yellow zones and 700 motorcycle meters) and with 85 percent of these meters in working order at any one time,⁵ that a total of \$31.3 million annually could be collected from the meters in working operation.⁶ Thus, given an anticipated annual collection for parking meters of \$31.3 million and the FY 1998-99 budgeted anticipated revenue expected to be \$12.8 million, the City is collecting only 40.9 percent of its reasonable potential revenue or \$2.21 per day per working meter instead of \$5.40 per day per working meter.

According to the Department, it is difficult to estimate what percentages of revenue loss can be attributed to each of several factors:

- Non-payment when parked at a meter;
- Non-payment because the meter is jammed;
- Non-payment for time when the vehicle has overstayed its apportioned time;
- Non-payment because the parked vehicle is displaying a disabled or other exempt placard;
- Loss of revenue due to internal or external theft;
- The use of foreign coins, objects and plum candies⁷ in place of coins of legal tender.

The new electronic meters will be harder to jam. In addition, the new electronic locks are supposedly impossible to break as the codes are changed every day and are keyed to each meter individually. Therefore, a portion of the problems that currently results in low revenue returns should be improved with the introduction of electronic meters. Preliminary estimates as reported by the DPT, indicate that revenues have increase from 45 to 93 percent in the test areas where electronic

⁴ The actual amount of revenue remaining with the Department of Parking and Traffic is \$5.2 million because \$7.6 million annually is transferred to the Department of Public Transportation (Municipal Railway).

⁵ We estimate that eight percent are broken but can be repaired in the field while the remaining seven percent of total meters have been removed from service for major repair or replacement.

⁶ Based on a daily collection of \$5.40 per working meter (9 hours @ \$0.60 per hour potential daily collections) times 6 days per week of operation and 50 weeks per year (subtracting 12 holidays).

⁷ Imported candies that are sold in Chinatown and elsewhere that are the exact size and shape of a quarter produced by the United States Mint.

meters have been introduced. We have reviewed the DPT electronic meter test data and concur with these estimates of increased revenue.

Furthermore, the electronic meters will encourage the increased use of the new "smart cards" which, over time, could substantially replace the use of coins in parking meters.

However, other problems and weaknesses that are not directly associated with theft are causing the Parking Meter Program to fall short of its stated goals, including the prime objective that revenue collection is maximized and secure. Those other problems involve staffing, coordination and management oversight of the existing Parking Meter Program. If improvements to staffing, coordination and management oversight could increase the average revenue collection per individual parking meter by just fifty cents (\$0.50) or 9.3 percent of the \$5.40 daily revenue expectation, the Parking Meter Program, as explained below, could expect to increase annual revenues by \$2.9 million.⁸ Other improvements include increasing the number of enforcement hours by Parking Control Officers (PCO), including early morning enforcement between 7:00 a.m. and 9:00 a.m., and increasing DPT's current efforts to enforce the proper use of the disabled person placards at metered spaces and at designated blue handicapped curb locations.

This is a reasonable expectation if staffing, program coordination and management oversight of the existing Parking Meter Program is improved based on the discussions provided below. For example, we observed that six percent to 10 percent of the parking meters are either broken or vandalized at any one time. Furthermore, it takes up to two to four days for the existing field maintenance staff to make a complete examination of each and every parking meter in their assigned repair district and therefore, make, if necessary, an in-the-field repair of a broken meter. Thus, a parking meter might be inoperable for an average estimated 1.8 days with a loss of revenue totaling \$12.15 (1.8 times \$6.75). Based on an eight percent rate of total broken meters that would be found at any one time, the loss per meter would be at least \$0.50 per meter per day.

Parking Meter Program Staffing and Operations

As noted above, staffing responsibilities for the operations of the Parking Meter Program are divided among several different entities. These include:

- 1) The Parking Meter Maintenance and Repair Units in the Parking Meter Shop;

⁸ 22,700 meters times 85% meters in operation times \$0.50 times 6 days per week times 50 weeks.

- 2) The Parking Meter Collections Manager, who supervises the Parking Meter Collections Contract;
- 3) The work order to the Department of Public Transportation which provides for the counting of parking meter revenues; and
- 4) A separate Field Operation Unit of the DPT Enforcement Division, which is responsible for the Disabled Person's Placard Enforcement Program.

Parking Meter Maintenance and Repair Units

The Parking Meters Unit is divided operationally between a parking meter maintenance shop and a parking meter repair shop. The maintenance shop has 20 budgeted employees, including two Parking Meter Repair Supervisors, 16 Parking Meter Repairers (field operation) and two Laborers (support to Parking Meter Repairers). The repair shop has seven employees, one Maintenance Machine Supervisor and six Maintenance Machinists. In addition, there is a Machine Shop Supervisor and Meter Supervisor that is an overall supervisor to both the maintenance and repair shop. That supervisor has two clerks that maintain computer data and produce monthly reports based on data input from manual records. The clerks perform other clerical duties including answering calls from the public concerning inoperable and missing meters and other issues related to on-street parking.

The Parking Meter Maintenance Shop has until very recently been at 75 percent strength because only 12 out of the 16 budgeted Parking Meter Repairer positions have been filled.⁹ This has resulted in the inability of field staff to meet the DPT stated performance measure as reported for the last three consecutive years. That performance measure states that the average time between meter inspection and repair is to be 3.4 days. Our observations and review of computer data reports concludes that meters that are identified as active in the inventory can be out of service for as much as two and one-half years. Because meter repair may require only a quick 15-second fix in the field or may take up to several months to repair because the meter is brought back to the Repair Shop, it would be difficult to get an actual average time needed for repairs that could be compared with the DPT's current service measure of 3.4 days.

For example, we observed that Hayes Street Meter No. 203 (the second meter west of Van Ness Avenue on the south side) was absent, and the DPT computer tracking print-out indicated that the parking meter head and post were reported missing on May 16, 1996. The meter post was replaced on June 13, 1996. However, the meter

⁹ As of the writing of this report, four provisional appointments for the vacant positions had been made between 2/8/99 and 2/22/99.

head was not replaced until the Budget Analyst staff advised the Parking Meter Repairer Supervisor on this matter on December 16, 1998, two years and six months after the meter at that location had been reported missing.¹⁰ Under optimal situations for the collection of revenue, it is estimated that this individual meter cost the City approximately \$4,050 in lost revenue over the two and one-half year period during which no employee observed that this meter was missing and out of service.

An under strength parking meter repair staff also results in delays in installing parking meters in new areas. For example, 30 parking meters on Franklin Street between Golden Gate Avenue and Eddy Street, which had been routinely approved by the Board of Supervisors on March 30, 1998, have to date not been installed.¹¹

Our observations also noted that the Parking Meter Repairers (PMR) are short of parts to make field repairs or are in possession of inferior parts to make adequate repairs. For example, the springs needed to repair a jammed coin catcher in the field are not the correct length. Therefore, the springs are broken more often and need to be replaced more often. Instead of a replacement spring lasting two to three years, the spring is lasting only two to three weeks. The Machine Maintenance Supervisor orders parking meter parts, even though many of the parts are used by the PMRs in the field who are directed by their own Parking Meter Repair Supervisors. We have found that the PMRs do not always have sufficient parts to make their field repairs because of the insufficient number of parts that are readily available to them.

Furthermore, as suggested by the Parking Meters Shop Supervisor, the number of assigned vehicles to PMRs should be increased so that each employee would have his/her own assigned vehicle with modern radio equipment. This would help increase the coordination of reporting parking meters that are damaged and decrease the amount of time that parking meters are out of service.

Added problems involve the installation of flange posts¹² which must be installed by a Maintenance Machinist rather than a Laborer. As a result of current shortages in filled positions, these installations need to be scheduled at least one month in advance. We have noted that Hickory Street Meters Nos. 5 and 7 have been out of service for several months awaiting the installation of flange posts.

¹⁰ This meter is at a location in close proximity to DPT Administrative Offices at 25 Van Ness Avenue. Parking Meter Repairers have been instructed by management to double their surveillance of such meters because of their nearby location to their main office.

¹¹ As of our fieldwork completed on January 11, 1999, 10 parking meter posts have been installed on the Turk to Eddy Street segment of Franklin Street.

¹² Flange posts must be set in those sidewalks that have basements underneath. Therefore, the posts need extra strengthening which only a Maintenance Machinist is qualified to perform. The Maintenance Machinists are supervised in a separate unit of the Parking Meters Division.

Particular street locations have their meters and posts removed/destroyed on a routine basis. We observed this problem on Page Street between Franklin (at Market Street) and Gough Streets. On more than one occasion over the past few years the same meters have been torn out and removed from the moorings. Correction of this problem is outside the purview of the Parking Meters Unit. It represents a general security problem to which DPT does not currently direct its full attention.¹³

The Parking Meter Repair Shop has until very recently been at 60 percent strength, as only three out of the five budgeted Maintenance Machinist positions have been filled.¹⁴ This is because two employees have retired. One employee retired in April of 1998 and the other employee retired in July of 1998.¹⁵ If DPT had anticipated the reduction in personnel well before the actual retirements, the parking meter repair unit would not find itself under staffed by 40 percent for a significant length of time.

In addition to machine shop duties and responsibilities, one Machinist is partially assigned to the Parking Meter Collections Manager in support of the Collections Program and to service all aspects of the collections equipment. We conclude that the Parking Meter Collections Manager needs an additional employee to adequately perform the duties of managing the parking meter collections function as described below. That additional assistance should not be provided at the expense of reducing the number of employees in the Parking Meter Repair shop.

There are no recent written policies, procedures or individual performance standards that provide the repair personnel with sufficient detail as to what can be expected of them in performing their duties and responsibilities. The preparation of formal written procedures should be a priority of the Parking Meters Division to be monitored by the Manager of Traffic Operations. However, the Department has recently drafted an Electronic Parking Meter Work Plan which outlines how the staffs of the Parking Meter Maintenance and Repair Units would be deployed when all of the existing mechanical meters are replaced by electronic meters.

Parking Meter Collections Manager

The Parking Meter Collections Manager distributes and secures all collections equipment (keys, seals, and vaults) requisitioned to contractual staff and monitors the daily compliance of the operations performed by the parking meter collections

¹³ Parking meter security is the responsibility of the Parking Meter Collections Manager.

¹⁴ A sixth position is assigned to a combination of work in three other shops: Traffic Signals, Traffic Painting and Signs.

¹⁵ As of the writing of this report, two provisional appointments for the vacant positions had been made between 2/8/99 and 3/1/99.

contractor. The manager also conducts security surveillance and the monitoring of meters with the assistance of the Police Department. Other duties include creating and securing data bases, which assist the Manager to control and track daily collections from the electronic parking meters. In addition, the Manager monitors losses incurred from vandalism, damages related to stolen meters, and meter keys, and produces weekly meter audit reports. This position has been recently reorganized and properly located in the field at DTP's Traffic Operations Division. Prior to 1997, the Parking Meter Collections Manager was housed in DPT Administration and physically removed from the direct day-to-day administration of the parking meter collections contract.

With the development of written policies and procedures the Parking Meter Collections Manager has clearly enunciated the duties and responsibilities of the position. These duties and responsibilities include daily inventory procedures for meter collection services and a program work plan for parking meter security. We believe that the Manager assumes an important role in coordinating the various units within DPT, the collection contractor and services of the Department of Public Transportation. In performing these duties we recommend the addition of one position, a Management Assistant, to assist the Manager with contract monitoring and an expanded security surveillance program which would replace the current part-time assistance from the Parking Meter Repair Shop. The part time position could then return to the Parking Repair Shop. The duties and responsibilities would be divided as follows:

<u>Description</u>	<u>Percent of Time</u>
Coordinate day to day operations of the Collections Contractor	30
Provide increased analysis of daily and periodic reports of meter outages	30
Expand activities associated a theft prevention program	30
Fill in for Parking Meter Collections Manager during absences	<u>10</u>
Total	100

The annual cost of a Class 1842 Management Assistant to be assigned to the Parking Meter Collections Manager is estimated to cost \$55,500. However, the actual classification that would be authorized would depend on a classification review by the Department of Human Resources.

Our field observations indicate that various measures could be taken to enhance security and reduce the current and continuing theft of revenue from the parking meters. For example:

- At the present time, many collection routes, including consecutive blocks of meters or meters located in off-street parking facilities, can be opened with one coin vault key. Thieves who have stolen a meter usually perpetrate thefts of other meters in the vicinity. The stolen meter is taken apart and its key

reproduced in order to match the keys of all of the adjacent parking meters. This allows the removal of coins from meter vaults in a minimal amount of time because only one key is needed to open all of the coin vaults, and the thievery can be done quickly and efficiently without detection. This is the primary advantage to successfully stealing the coins from the parking meters, as thieves want to minimize their time at the parking meters. The longer it takes to access a number of parking meters, the greater the likelihood that the action will be detected and reported to the police. Therefore, if there were several keys that opened a series of coin vaults and the vault locks were randomly selected, the thievery would be discouraged due to the increased time needed to access all of the intended coin vaults.

- Parking meter coin vaults¹⁶ do not always have the same scripted markings, which identifies them to the particular parking meter in which they are contained. This would indicate that an empty coin vault with the same identification had been substituted for one with an accumulation of coins just prior to the scheduled collection of coins from that meter. This activity may be detected with some ease if there is a particular drop in the amount of revenue collected.¹⁷ There is also an indication that this activity is an internal breach of security since several parking meter coin vaults would need to be involved in order to replace several similar coin vaults already in the field.

The Parking Meter Program should also consider that over the years two separate mapping systems have been developed, one that defines 19 parking meter repair districts (Districts A through T)¹⁸ and one that defines 92 collection routes that are divided into four zones. Because these two mapping systems are not compatible, there is only an antiquated system of coordinating parking meter collection with parking meter maintenance and repair when it comes to reporting a broken meter.

The parking meter program will obviously be improved if the coordination of parking collections and repairs allows a meter to be repaired or replaced within hours rather than days, weeks or even months after the initial notification that maintenance and repairs are needed. The Parking Meter Program exhibits a significant operational weakness with the lack of a basic coordination effort between collection and repair. In this regard, we have noted that the function of parking meter maintenance and repair can be included in an overall package of

¹⁶ Coin catchers located beneath the meter time mechanism in which the coins are received and accumulated.

¹⁷ We have previously suggested the distribution of the large canisters be reorganized so that they are assigned each time to the same collection route and therefore could detect a significant drop in the collection of revenue for a particular route.

¹⁸ There is no District "Q".

parking meter contract services as is done in other cities.¹⁹ In this regard, the contractor has guaranteed that parking meters that are reported broken will be back in service on the same day that they were reported out-of-service.

Department of Public Transportation Work Order which Provides for the Counting of Parking Meter Revenues

Parking meter revenue is delivered daily to the Department of Public Transportation (MUNI) Revenue Department for counting on the same day that the coins are collected. The coins are counted and deposited the following day. Examination of this process in other cities found that parking meter revenues were deposited on the same day as their collection.

The conditions and procedures for the MUNI counting process involving both the transit cash box and parking meter collections were reviewed together as part of our 1996 Proposition J management audit of MUNI. At a result of the audit, MUNI agreed to implement improvement to their operations of counting revenues and provide quarterly reports on the progress toward implementing those improvements.²⁰ In this regard, we have asked the MUNI management to provide us with documentation that support the actions taken by MUNI to implement the recommendations of the Budget Analyst regarding the counting of daily revenues as they pertain to the Parking Meter Program. These recommendations include:

- Development and implementation of a performance standard by which to evaluate the productivity of processing unit staff;
- Development of an on-going incentives program to increase productivity and morale;
- Complete structural improvements of Processing Unit's area which will ensure the safety of staff; and
- Investigate contracting out for revenue processing services with a qualified vendor. MUNI staff was to report back to the Public Transportation Commission by December 1997.

¹⁹ Lockheed Martin is presently the contractor with Washington, DC, providing full service for the installation and maintenance of 15,000 parking meters. Serco Guardian is presently the contractor with the Hong Kong Transport Department, where they are required to manage all aspects of the parking meter operations including enforcement and day-to-day maintenance. Meters that are broken must be brought back into operation within 45 minutes or be replaced with a serviceable unit.

²⁰ Management Audit of the San Francisco Municipal Railway, prepared for the Public Transportation Commission, July 1996, pages 111-125.

DPT has indicated that the counting of revenue would be included in their pending Request For Proposal (RFP) involving the replacement of mechanical meters with electronic meters.

Disabled Person's Placard Enforcement Program

The California Department of Motor Vehicles (DMV) estimates that there are approximately 23,000 disabled persons parking placards currently issued to San Francisco registered drivers. In addition, there are about 99,800 disabled persons parking placards currently issued to registered drivers in the neighboring counties of Marin, Contra Costa, Alameda and San Mateo. As many of these placard holders are possible commuters, the number of potential placard users in San Francisco is even greater than the 23,000 San Francisco registered drivers.

Our discussions with DPT management personnel indicate that the improper use of these placards has significantly reduced the potential revenue from parking meters. A disabled placard user may park at most parking meters in the City free of charge for the entire day and therefore may reduce the annual revenue from parking meters by an estimated \$4.6 million per year.²¹

To curtail the misuse of disabled person's placards (DPP), the DPT Enforcement Division has deployed a team of two Parking Control Officers (PCOs) to identify all vehicles displaying a DPP and to request proof of placard registration from the driver of the vehicle. The PCO unit follows a thorough and prudent protocol strategy to determine the proper use of the DPP. Based on an interview with the PCO unit, we offer these suggestions as to improve the current program to curtail the misuse of the placards, as follows:

- The DPT Enforcement Division should maintain its number of enforcement units to its normal strength of two teams, thus increasing its current effort by 100 percent;
- DPT should increase public awareness by expanding efforts to involve the public in providing tips on the misuse of disabled person's placards. This expansion would increase the amount of information provided to the uniformed PCO teams and would relieve them from some of their time-consuming work, such as initially locating potential violations of the use of such placards;

²¹ Based on conversations with Parking Control Officers assigned to a special unit to enforce proper usage of disabled placard. They estimate, based on their day-to-day observations, that at least 10 percent of disabled placard vehicles are in violation of related vehicular statutes.

- DPT should consolidate all of the DPP citations appeals onto one day of the week and to a limited number of hearing officers who would become more familiar with the various appeals and the work of the individual enforcement teams;
- DPT should provide information to the PCO units on those citation appeals that have been ruled in favor of the placard holder. This procedure will provide the PCOs with valuable information as to the reasonableness of the enforcement practices and the thoroughness of documentation for each a citation issued for the misuse of a disabled placard; and
- DPT should work with our State representatives for changes in State legislation that would make for more equitable provisions, including (a) putting a limit on the number of consecutive hours that a placard user can occupy a parking space, and (b) making it more difficult for placard holders who have had their placards confiscated to be able to immediately obtain a replacement from the Department of Motor Vehicles.

Conclusion

The City's current Parking Meter Program is poorly organized and understaffed to attain an efficient and effective program that maximizes parking turnover and revenue collection. At the present time, annual parking revenue collections are \$12.8 million, which is only 40.9 percent of an achievable annual collection of \$31.3 million (as discussed on page 5 of this Section). Under these conditions the City is losing an estimated \$18.5 million in parking meter revenues annually based on several problems in related program staffing and operations.

A portion of those losses in revenue will be reversed with the replacement of the existing mechanical meters with electronic meters. However, there are several other problems with the City's current Parking Meter Program which could be improved if changes to the current operations and management are made. These changes should be implemented with minimal cost to the City. The changes should provide increased revenues that we estimate to be at least \$2.9 million annually.

Recommendations

The Department of Parking and Traffic should:

- 4.1 Fill six vacant positions in the Parking Maintenance and Repair Units so that the Parking Meter Repair Division is at full strength. These include four Parking Meter Repairers in the Maintenance Unit and two Machinists in the Repair Unit.
- 4.2 Update written policies and procedures for the Parking Maintenance and Repair Units so that the Parking Meter Repairers and Maintenance Machinists know exactly what is expected in the performance of their duties.
- 4.3 Order replacement parts that would give priority to useful life as well as to overall cost. As noted in this section, springs needed to repair jammed coin catchers are not the correct length and therefore need to be replaced several more times per field repair visit than if the correct size spring were used for the replacement. This results in broken parking meters occurring several times more than should be expected.
- 4.4 Add one position, a Class 1842 Management Assistant, as discussed on Page 11 of this section, to assist the Parking Meters Collection Manager with the duties associated with collections operations and parking meter security.
- 4.5 Implement recommendations in this section to streamline the current operation of the Disabled Person's Placard Enforcement Program.
- 4.6 Consider other aspects of the City's Parking Meter Program in the preparation of a Request for Proposal for the replacement of all existing mechanical meters with electronic meters. These considerations would include privatizing the maintenance and repair functions of the Parking Meter Program.

Costs and Benefits

Parking turnover would be improved, short term parking availability would be increased and an estimated \$2.9 million annually in increased revenue would be added to the General Fund. That increased revenue would only be offset by \$55,000 in annual costs for the addition of one Management Assistant to support the current duties and responsibilities of the Parking Meter Collections Manager. In addition, additional vehicles for the Parking Meter Repairers and more modern communications equipment should be obtained to reduce the time that damaged parking meters are out of service.

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

- The contract for parking citations processing now being implemented by DPT and PRWT includes no guarantees that projected net revenue increases will be achieved. If the contractor fails to meet the increased revenue collections, the result could be a reduced expected net gain to the City, no net gain to the City, or even a reduction in net revenue.
- DPT should implement specific contract monitoring procedures and management controls to measure the effectiveness of the PRWT Contract for parking citation processing.
- The contract should be continuously evaluated to determine whether projected collection rates are being realized and whether new revenues exceed the cost of contractual services.
- Additional controls should be put in place to determine whether the contractual services are meeting customer service improvement objectives and achieving expected improvements to parking enforcement.

PRWT Contract

In August of 1998, the Board of Supervisors and the Mayor authorized the DPT to execute a four year contract between the City and PRWT Services, Inc., for an automated parking citation processing and collections system, to include three major system components:

1. A handheld parking citation issuance and reporting system, consisting of electronic handheld ticket writers, personal computers, supporting software, networking capabilities, and support services;
2. A parking citation processing system to serve as a central repository of information about citations issued and consisting of a variety of computer and hardware, software, management, and support services; and
3. An Out-of-State and Special Collections Program to pursue collections from vehicles registered out of State and from motorists that have relocated, transferred vehicle ownership, or are otherwise difficult to collect.

The four year contract with PRWT commenced September 24, 1998. Use of the handheld ticket writers is to be achieved in phases, with groups of PCOs to complete training and begin use of the handhelds every four weeks starting October

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

26, 1998. During the first training session, PRWT will run test reports to confirm that different modules, or subsets of programming, are working as specified in the contract. DPT expects all PCOs will be trained and using the handheld ticket writing devices by May 1, 1999.

On November 16, 1998, PRWT began conversion to the new system. Upon full acceptance of the new system by DPT, PRWT will assume responsibility for all citation processing. In December of 1998, existing parking citation data was fully converted to the Ticket Management System (TMS), which allowed PRWT to begin Special Collections in April, 1999, an important component in meeting the increased revenue projections. All citation payments have been entered into the TMS and staff in Administrative Review have been using the hardware and software since December of 1998. Links for Residential Permit Parking and the Hearing Division are expected to be complete in January of 1999.

Contract Cost

One month after PRWT assumes citation processing, DPT will receive the first monthly invoice from PRWT. Invoices from PRWT will include three elements: (1) the per citation fee, described in the table below, multiplied by the number of citations processed, (2) a 34 percent payment for Special Collections, and (3) a postage passthrough amount. DPT's contract administrator will have the responsibility of confirming the number of citations processed by using data gathered from the handheld network, handwritten tickets, and total collection amounts received by the Treasurer.

Contract Fees Per Citation Processed

Citation Processed per Year	PRWT Year 1 Fees	PRWT Year 2 Fees	PRWT Year 3 Fees	PRWT Year 4 Fees
First 2 million	\$2.39	\$2.34	\$2.29	\$2.29
Next 250,000	\$2.19	\$2.14	\$2.09	\$2.09
Next 250,000	\$1.69	\$1.64	\$1.59	\$1.59
Next 250,000	\$1.18	\$1.14	\$1.13	\$1.13
Next 250,000	\$0.93	\$0.93	\$0.93	\$0.93
Over 3 million	\$0.73	\$0.73	\$0.73	\$0.73

Using the pricing structure above and assuming issuance of 2,274,000 citations based on existing volumes, the total costs for the first year of the PRWT contract are projected to be \$5,368,060. Such costs will decline each year, until year four when the cost of processing the same 2,274,000 citations would be \$5,140,660. By pricing the contract using a fee-per-citation-structure, the contract provides that if

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

fewer citations are issued, the cost is reduced. If ticket issuance is higher than expected, the cost (and related revenue) increases.

The total fine value of the 2,274,000 citations issued annually is approximately \$72.2 million. Of this total value, \$49.8 million is typically collected, or approximately 69 percent, with 31 percent or \$22.4 million uncollected.

In addition to the fee per citation, PRWT will receive 34 percent of all fines collected for Out-of-State and Special Collection citations that are referred by DPT and for which DPT and the City is otherwise unable to collect through its regular collection processes. The City will receive the remaining 66 percent on such Special Collections.

Projected Revenues

Under the proposed contract with PRWT, DPT estimates that an additional two percent of parking fine revenue will be collected in the first contract year, increasing to eight percent by the fourth contract year, for a final collection rate of 77 percent for all citations issued.¹ Collections will increase due to better citation noticing, enforcement, and fewer PCO errors. DPT estimates that the two percent increased collection rate will yield increased revenues to DPT of \$1,227,960 in the first contract year.

The PRWT contract will also bring DPT additional revenue resulting from Special Collections, which include citations given to vehicles with Out-of-State licenses, to vehicles with owners that have relocated, transferred vehicle ownership, or received citations in rental cars. DPT will receive 66 percent of fees collected by PRWT for Special Collections, which represent citations that DPT is otherwise unable to collect through its regular collection processes. Special Collection activities performed by PRWT are expected to yield additional revenues to DPT of \$3,811,500 in the first contract year.

Therefore, total estimated increased revenues in the first year equals \$5,039,460 (\$1,227,960 from the two percent increase in the collection rate and \$3,811,500 from Special Collections).

¹ Based on DPT's experience and PRWT's experience in other cities, it is assumed that approximately 20 percent of citations are ultimately uncollectable, largely due to State law which allows vehicles to be transferred without payment of outstanding citations. As such, 80 percent of citations are collectable and DPT expects to collect 77 percent under the contract with PRWT. The remaining three percent are either dismissed following protest, dismissed in lieu of community service, or are issued to vehicles that become non-operational as a result of damage or theft.

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

Reduced DPT Costs

In addition to the above described collection and revenue enhancements, the proposed contract with PRWT includes provisions which will lead to savings in current DPT costs as follows: (1) PRWT would assume the \$300,000 annual fee for Lockbox processing, (2) PRWT will provide the special paper used to print the new electronic citations, a savings of \$300,000 annually, (3) the use of handheld ticket writing devices will reduce the data entry requirements by \$400,000, and (4) various savings in microfilm costs, DPT forms, and production and mailing of notices which total \$300,000, for a total annual savings in current DPT costs of \$1,300,000.

Summarized Cost-Benefit Analysis

A summarized Cost-Benefit Analysis for the proposed contract with PRWT, as prepared by DPT, is as follows:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Total</u>
Contract Cost	(\$5,368,060)	(\$5,254,360)	(\$5,140,660)	(\$5,140,660)	(\$20,903,740)
Additional Revenues	5,039,460	5,095,920	4,508,880	4,911,840	19,556,100
Reduced DPT costs	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>5,200,000</u>
Net Revenue	\$ 971,400	\$ 1,141,560	\$ 668,220	\$ 1,071,180	\$ 3,852,360

DPT's estimate shows additional costs of \$5,368,060 to process tickets, offset in the first contract year by savings of \$1,300,000 and additional revenues (benefits) of \$5,039,460, for a net revenue gain of \$971,400 in the first contract year. Additional revenues are the result of increased collection rates, which are currently at 69 percent and are projected to increase by two percent per year, up to a peak collection rate of 77 percent in Year 4.

Other Benefits

Implementation of the PRWT contract offers the potential for significant improvement in operational efficiency in all DPT divisions, in customer service and in parking enforcement. In addition to increased revenue as described above, integrated electronic data management offers the following non-quantifiable benefits to the public and the City:

- Significant reduction in the number of citation errors caused by handwriting and data-entry practices as a result of implementing handheld ticket writing devices;

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

- More responsive, efficient and timely service to citizens paying or protesting citations;
- DPT will be able to identify stolen and abandoned vehicles more efficiently;
- New management reports will be used to make better decisions about PCO deployment and staff activities, resulting in improved enforcement in problem areas;
- Integrated and shared databases for the Residential Parking Program and Citations Divisions; and
- Expanded information management to support decision making in Administrative Review, the Hearing Division, and Traffic Operations.

Evaluation of Contractor Performance

When the PRWT contract was considered by the Board of Supervisors' Finance Committee in July, 1998, the Budget Analyst disclosed that the proposed contract included no guarantees of performance, as measured by the projected net revenue increases described above. If the contractor fails to meet the increased revenue collections, the result could be a reduced expected net gain to the City, no net gain to the City, or even a reduction in net revenue. The Budget Analyst believes that the contract should therefore be closely monitored to permit ongoing evaluation and to formulate a basis for continuation or renewal of the contract.

Evaluation of PRWT's performance should be based primarily on the contractor's ability to meet increased revenue projections, which includes both revenue generated as a result of increased collection rates (projected to increase two percent a year) and revenue generated by Special Collections. If PRWT meets or exceeds the increased revenue projections, then the net benefit of the contract would be increased. Increased revenue will also indicate a corresponding improvement in enforcement, operational efficiency, and customer service.

Changes in DPT's collection rate will serve as a reliable indicator of PRWT's performance for several reasons: (1) DPT's baseline collection rate of 69 percent will allow an accurate measurement of changes in the collection rate under PRWT; (2) any improvement in the collection rate can be used to compare the contractor's performance in San Francisco with other cities using the same contractor and configuration of equipment; and, (3) changes in the collection rate can be used to measure San Francisco against other cities, either using other contractors or performing their own processing and collection activities.

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

Special Collections activities will generate revenue in two ways: (1) PRWT will apply special collection activities to the \$70 million in outstanding unpaid parking citations issued over the last five years, which the City has heretofore been unable to collect, and (2) PRWT will apply special collection activities to current citations issued to vehicles with Out-of-State licenses and to vehicles with owners that have relocated, transferred vehicle ownership, or received citations in rental cars. DPT and PRWT predict that the collectible portion of the \$70 million in outstanding parking citations will be fully realized by the end of the third year of the contract. In the fourth year and thereafter, if the City renews the PRWT contract, DPT projects that increased net revenues would plateau at approximately \$1,000,000 annually.

In addition to the contractor's ability to meet the projected revenue increases, an evaluation of PRWT's performance in San Francisco should also include an analysis of their payment of performance penalties, default remedies, and other fees or reductions in invoiced amounts. Section 5 of the contract includes a provision allowing payment to the vendor to be withheld if promises and warranties made as part of the contract are not met. Such payment withholdings would indicate an inability to meet the specific requirements of the contract and, over the term of the contract, would be an indication of the contractor's performance relative to DPT's expectations.

DPT's Contract Administrator, in cooperation with division heads, will be responsible for monitoring the performance of PRWT and deducting penalties as appropriate from the contractor's monthly invoice. The Contract Administrator should prepare a comprehensive monthly and annual report including each incident of invoice reduction, with explanation of the type of default, penalty amount, and description of the problem resolution, as well as the collection rate for that period, the total revenue collection for that period, and the total revenue collection to date.

Lastly, contract evaluation should include measurement of increased enforcement (such as identification of stolen and abandoned vehicles and parking "scofflaws") and improvements to customer service (reductions in time and effort responding to citizen inquiries, more efficient and timely service to citizens paying or protesting citations, etc.).

At the end of the PRWT contract, policy makers should receive a report summarizing such data for use as a tool in consideration of renewing the contract with PRWT.

Section 5 Implementation of the PRWT Contract for Parking Citations Processing

Conclusion

Implementation of the PRWT contract for parking citation processing services has proceeded on schedule during the completion of this performance audit. However, the contract includes no guarantees that projected net revenue increases will be achieved. If the contractor fails to meet the increased revenue collections, the result could be a reduced expected net gain to the City, no net gain to the City, or even a reduction in net revenue.

Contractor performance should therefore be closely monitored to permit ongoing evaluation and to formulate a basis for continuation or renewal of the contract.

Recommendations

- 5.1 DPT should compile the necessary data and develop monthly and annual reports providing comparisons with pre-PRWT contract performance, as measured by the number of citations issued, the number collected and overall rates of collection.
- 5.2 DPT should develop similar monthly and annual reports providing comparisons for out-of-state and special collection revenues.
- 5.3 DPT should monitor and evaluate improvements resulting from increased enforcement (such as identification of stolen and abandoned vehicles and parking "scofflaws") and improvements to customer service (reductions in time and effort responding to citizen inquiries, more efficient and timely service to citizens paying or protesting citations, etc.).

Benefits

Satisfactory monitoring and evaluation of contractor performance will allow measurement of net City revenue gains, or losses, as well as projected improvements to parking enforcement and customer service. Such information will be useful to formulate a basis for future decisions to continue or renew the PRWT contract.

Section 6 Adult School Crossing Guard Program

- The Adult School Crossing Guard (ASCG) Program operated by the Department of Parking and Traffic provides 143 adult crossing guards to protect elementary school children from traffic hazards when going to or from public, private, and parochial schools across streets which meet the specific criteria set forth in the State Department of Transportation Traffic Manual.
- The ASCG Program is managed by one 1406 Principal Clerk, with administrative support from one half time 8201 Crossing Guard, which are both inappropriate classification assignments for Program responsibility. The Program's management and supervision is understaffed. As a result, the ASCG Program is poorly managed and there is no attendance monitoring or field supervision of crossing guards.
- The ASCG manual plainly states that crossing guards do not check in with DPT upon arrival for work and since DPT is unable to conduct field supervision due to limited Program staffing, DPT has no knowledge of whether guards are present or performing properly. The lack of supervision has created the potential for payroll fraud, poor service delivery, and liability exposure for the City.
- In order to improve program management, reduce the City's liability and provide the service expected by the public, DPT should request a Department of Human Resources review of the 1406 Clerk classification for ASCG Program Manager, reclassify a 8201 Crossing Guard working on administrative tasks to an administrative support classification, and fill a vacant 1404 Clerk position authorized in the FY 1998-99 budget. Such staff changes would provide the appropriate skills needed to manage the program and to: (1) Establish an MOU for cost sharing with private and parochial schools, (2) Train schools to report attendance and guard misconduct to DPT, (3) Improve crossing guard recruitment, and (4) Establish policies and procedures for monitoring school crossing guard attendance through coordination with Parking Control Officers.

The ASCG Program originally operated under the Police Department, but was transferred to the Department of Parking and Traffic in 1993. The legal authority for the ASCG Program is: (a) State Department of Transportation Traffic Manual for School Area Pedestrian Safety, Section 10-07.4, which provides the legal authority for Adult Crossing Guards to "designated local law enforcement agencies,

the governing board of any school district, or a county superintendent of schools"; and (b) the California Education Code Section 21100(i), which states that local authorities may provide for the appointment of nonstudent crossing guards for the protection of persons who are crossing a street or highway in the vicinity of a school.

DPT accepts requests for school crossing guards from any school or community member. If DPT's Traffic Engineering division determines that the intersection meets the criteria set forth in the State Department of Transportation Traffic Manual for crossing guard assignment, including the criterion that the intersection has elementary school aged pedestrians and meets specified traffic density requirements, then a crossing guard may be assigned if DPT has adequate funding in its Temporary Salaries budget. Schools are informed which intersections will be stationed with a crossing guard. According to the State Department of Transportation Traffic Manual, individual elementary schools are responsible for creating and publicizing a "Suggested Route to School" so that parents and children know where crossing guards and other traffic controls are located and which route to school affords the greatest safety.

Adult School Crossing Guards are temporary exempt employees in classification 8201 Crossing Guard, represented by SEIU 790. Guards work an average of two and a half hours per school day: one hour before and 15 minutes after the starting bell in the morning and 15 minutes prior to and one hour after the bell in the afternoon. At the beginning of FY 1997-98, DPT employed 98 crossing guards. During FY 1997-98, after several accidents involving children on route to or from school, the Mayor promised to expand the crossing guard program. A supplemental appropriation in mid-year provided funding for 20 additional guards, for a total of 118 guards. The DPT FY 1998-99 budget for the ASCG Program of \$724,609 includes funding for another 25 guards, for a current total of 143 crossing guards. As of December, 1998, 25 of the 143 funded positions remain vacant.

ASCG Program Staff

Since the ASCG Program came under DPT jurisdiction, it has been managed by one 1406 Principal Clerk. The Program Manager has administrative support from one half-time 8201 Crossing Guard¹ position. In FY 1998-99, a new full-time 1404 Clerk Typist position was approved, but as of the writing of this report, the position is vacant. The ASCG Program Manager schedules crossing guards, processes payroll

¹ When under the jurisdiction of the Police Department, the Adult School Crossing Guard Program was managed by one FTE Sergeant, with administrative support from one FTE clerk, and two full-time Police officers provided field supervision, as well as personal safety presentations to schools. In FY 1992-93, these four FTEs managed 103 guards and intersections.

(including requests for sick leave and vacation, the latter of which can be taken in one hour increments per the MOU) and is responsible for all recruiting, training, and personnel administration activities. The Program has a persistent turnover rate of 30 to 50 percent, which results in year round personnel-related duties for the Program Manager. Additionally, approximately 50 telephone calls a day from school employees, neighbors, parents, and crossing guards are answered by the ASCG Program staff.

DPT has delegated responsibility for the Program to classifications which are both inappropriate, leading to insufficient management of service delivery, and the exposure of the City to potentially significant liability.

A 1406 Principal Clerk classification does not possess the skills needed to properly meet the management needs of a program consisting of a field operation with 143 sites and employees, and a 8201 Crossing Guard is not an appropriate classification to perform administrative and payroll duties. Due to the administrative requirements, the ASCG Program staff do not monitor crossing guard attendance or provide any field supervision of crossing guards. Furthermore, there is no internal structure of accountability for the Program's performance.

DPT should upgrade the classification for ASCG Program Manager. If, for example, the position were upgraded from the 1406 Principal Clerk currently assigned to a 1842 Management Assistant, then the Program Manager would provide the operational skills needed to coordinate the program and the management skills needed to serve as a liaison between DPT and the schools. The 8201 Crossing Guard currently providing half time administrative support should be reclassified to a position that would be appropriate to conduct field supervision and training of crossing guards, as well as some administrative support, such as a 9971 Community Aide, which has the same pay scale as a 1404 Clerk. DPT should also fill the vacant 1406 Clerk position in order to reduce the administrative burden, thereby allowing the Program Manager time to perform vital management duties such as: (1) Establish an MOU for cost sharing with private and parochial schools, (2) Train schools to report attendance and guard misconduct to DPT, (3) Improve crossing guard recruitment, and (4) Establish policies and procedures for absent crossing guards and monitoring of attendance by Parking Control Officers (PCOs) in the field.

Establish Cost Sharing and Program Partnership

In March of 1998, a Memorandum of Understanding (MOU) between DPT and SFUSD was established requiring SFUSD to pay for one-half of the expanded ASCG Program, which includes 10 crossing guards from FY 1997-98 and 12.5 crossing guards for FY 1998-99, for a total of 22.5 crossing guards to be funded by SFUSD at

a total annual cost of \$180,811, including salary, mandatory fringe benefits, and materials and supplies. No such MOU currently exists with private or parochial schools.

An MOU for sharing costs of the expanded ASCG Program should be established between DPT and the private and parochial schools which benefit from the Program. The MOU should assign responsibility for attendance taking to the schools, as is the case with the MOU between DPT and SFUSD, and the Program Manager should train schools to report attendance and crossing guard misconduct to DPT. Success of the ASCG Program requires active participation by the schools: cost sharing and attendance reporting are the first steps to building what should be a collaborative partnership.

Improve Recruitment

As noted above, of the 143 intersections which have been determined by DPT to meet the criteria for coverage by an adult school crossing guard and which have been funded for FY 1998-99, 25 are vacant as of December of 1998. The Program Manager estimates that the Program will suffer a 50 percent turnover in FY 1998-99. DPT personnel staff rely mainly on word-of-mouth to fill vacant position, along with occasional newspaper advertisements.

To fill vacancies, DPT personnel staff need to improve and expand the recruitment process for crossing guards. DPT should send job announcements to the Department of Human Resources (there is currently no announcement posted for vacant 8201 Crossing Guard positions), the SFUSD, individual schools that have vacant positions, neighborhood publications, college job boards, senior organizations, and Parent Teacher Associations. In order to meet DPT's obligation to the public and maximize the benefits of cost-sharing with SFUSD (costs are shared only for filled positions), all crossing guard positions must be filled.

Field Supervision

As noted above, due to administrative duties, the Program Manager does not monitor crossing guard attendance or provide any field supervision of crossing guards. Furthermore, the DPT Crossing Guard Training Manual plainly states, "You will not be required to report to anyone either in person or by telephone. We will assume that you have gone to your crossing on time, fully equipped and ready for duty." DPT has no direct knowledge of whether guards are present or performing properly.

Currently, DPT has two sources of information for crossing guard attendance: the crossing guards themselves, who are supposed to call in if they are going to be absent, and the school community of teachers, administrators and parents who may call DPT to report a missing crossing guard. A survey of schools conducted by the Budget Analyst and interviews with DPT staff suggests that both sources of attendance information are inconsistent and unreliable. Although the new MOU with SFUSD requires participating public schools to take and report attendance of the guards assigned to the school's intersections, as of the writing of this report DPT has obtained approximately 60 percent participation from schools. DPT has no procedure in place for building school participation to 100 percent or for using school attendance reports to reduce pay for those guards who do not attend their assigned post. Furthermore, DPT has no personnel policies or procedures for disciplining or replacing absent guards.

According to the Program Manager, crossing guards report absences for approximately 40 shifts per week (each guard has two shifts per school day, morning and afternoon). When DPT learns of unreported or unapproved absences, DPT contacts absent guards to determine whether a guard is going to be temporarily missing or needs to be permanently replaced. Guards are encouraged to attend work, but there are no formal reprimands and DPT has never released a guard from employment during a school year due to absence.

Without field supervision or attendance reporting, DPT may be paying crossing guards who do not show up for work or who fail to perform properly on the job. Although DPT has no records of incidents of fraud, DPT management agrees that it is impossible for DPT to know whether crossing guards are actually working the assigned hours for which they are paid. Similarly, since DPT provides no supervision of crossing guards and has no system for gathering performance information from schools, it is possible that DPT is paying guards who do not properly perform the assigned duties. Crossing guard absences or misconduct could create liability exposure to DPT and the City.

Liability Exposure

According to the City Attorney's Office, by notifying schools that the City will provide a crossing guard to a particular school intersection, there is an established expectation and an implied contract between the students and parents of that school and the City that a crossing guard will be present to help children safely en route to and from school. Any child who sustains injury as a result of crossing guard absence or negligence may have cause for a liability claim against the City

If schools were made into active partners in the ASCG Program by monitoring attendance and reporting poor conduct to DPT, then DPT would be informed as to

which guards are in need of additional training or discipline, and which need to be replaced. The opportunity for payroll fraud would be eliminated, service delivery to the public would be improved, and exposure to liability would be reduced.

Policies and Procedures for Absent Crossing Guards

As noted above, when DPT learns that a guard is absent, the ASCG Program Manager is directed to notify the school, if necessary, then determine whether the guard is temporarily absent or needs to be permanently replaced. If the guard is temporarily absent, the ASCG Program Manager urges the guard to work his or her shift, but there is no disciplinary action for unapproved absences and no procedure for using a substitute guard. If DPT learns that the guard has left the job, the intersection is added to the vacant list.

As noted above, the Program Manager estimates that of the 118 filled positions, each with 2 shifts per day for a total of 236 crossing guard shifts, approximately 40 crossing guards shifts, or 17 percent, have approved absences each week. Additionally, there are an unknown number of unapproved absences. DPT should devise a plan and procedures to use Parking Control Officers (PCOs) assigned to a local beat to monitor attendance of School Crossing Guards. If a PCO identifies an absence at an intersection for morning shift, then during the school day DPT could attempt to get the assigned guard onto the afternoon shift. Additionally, DPT needs to devise an absence policy that provides for reprimands of unapproved absences. With enforcement of an absence policy, and enhanced attendance monitoring by PCOs, absences would be reduced as would the City's liability exposure.

Conclusions

The Adult School Crossing Guard (ASCG) Program operated by the Department of Parking and Traffic provides 143 adult crossing guards to protect elementary school children from traffic hazards when going to or from public, private, and parochial schools across streets which meet the criteria set forth in the State Department of Transportation Traffic Manual.

The ASCG Program is managed by one 1406 Principal Clerk, with administrative support from one half time 8201 Crossing Guard, which are both inappropriate classification assignments for Program responsibility. The Program is understaffed, suffers from insufficient management oversight, and there is no attendance monitoring or field supervision of crossing guards.

When DPT assigns a crossing guard to an intersection, it establishes a public expectation and an implied contract with the public that crossing guards will be

present. However, DPT has no knowledge of whether guards are present or performing properly. The lack of supervision has created the potential for payroll fraud, poor service delivery, and liability exposure for the City.

In order to improve program management, reduce the City's liability and provide the service expected by the public, DPT should request a classification review of the 1406 Clerk currently assigned as ASCG Program Manager. DPT should also reclassify the half-time support position from an 8201 Crossing Guard to a classification appropriate to provide administrative support and field supervision. Finally, DPT should fill the vacant 1404 Clerk position recently approved in the DPT budget.

Such personnel changes would provide the appropriate skill requirements to coordinate the program and to (1) Establish an MOU for cost sharing with private and parochial schools, (2) Train schools to report attendance and improper crossing guard conduct to DPT, (3) Expand recruitment activities, and (4) Establish policies and procedures for reducing absenteeism which includes crossing guard attendance monitoring by PCOs.

Recommendations

DPT should:

- 6.1 Upgrade the classification for ASCG Program Manager from the 1406 Clerk currently assigned to a higher classification, for example, an 1842 Management Assistant, and the 8201 Crossing Guard should be reclassified to an appropriate classification for field supervision and administrative support.
- 6.2 Establish a Memorandum of Understanding for sharing costs of the expanded ASCG Program between DPT and the private and parochial schools which benefit from the Program. The MOU should assign responsibility for attendance taking to the schools.
- 6.3 Train schools to report attendance and crossing guard misconduct to DPT.
- 6.4 Improve and expand recruitment of crossing guards to fill vacant positions.
- 6.5 Develop policies and procedures to reduce absenteeism of crossing guards, including using PCOs to monitor crossing guard attendance.

Costs and Benefits

The current salary for the 1406 Clerk serving as the Program Manager is \$30,110 annually, plus fringe benefits. If the position were upgraded to an 1842 Management Assistant, for example, the annual salary cost ranges from \$43,274 at Step 1 to \$52,565 at Step 5, or an increase of \$13,164 to \$22,455 annually, plus fringe benefits.

The benefits of establishing an MOU with private and parochial schools to share funding of an expanded program would be \$4,019 in cost savings (half of the total \$8,038 cost) for each crossing guard.

Implementation of these recommendations would significantly improve service delivery and public safety while reducing the City's exposure to liability.

Section 7 City-Owned Parking Garages

- In 1993, the Budget Analyst conducted a comprehensive performance audit of the City-Owned Parking Garages which contained 35 recommendations. This section is a follow-up to that prior audit.
- DPT has not yet completed the conversion of expired leases with garage operators to management-type operator contracts which will improve revenue control and prevent unnecessary legal expenses in case of operator default.
- DPT has begun including more detailed performance specifications in its operator contracts with direct operation garages. Such performance specifications are needed to discourage operators from cutting services in order to increase profits. DPT should ensure that performance specifications are being met by developing inspection checklists and conducting twice-monthly inspections.
- Operating expenses should be included in operator contracts for garages leased to non-profit corporations, instead of providing reimbursement for operating expenses. Further, the non-profits should include performance specifications and inspection checklists to ensure a satisfactory standard of service.
- None of the non-profit garage operator contracts have been competitively bid since the original agreements were entered into 30 to 40 years ago. DPT, together with the non-profit corporations, should competitively bid each operator contract immediately.
- DPT has not been competitively bidding all of its operator contracts in a timely manner. The current operator contract bid process takes approximately six months. DPT should submit to the Board of Supervisors a proposed ordinance to streamline the process to allow timely competitive bidding of such contracts, consistent with the procedures for other City leases.

In 1993 the Budget Analyst conducted a comprehensive performance audit of the City-Owned Parking Garages which contained 35 recommendations. As part of this current performance audit of the Department of Parking and Traffic, we reviewed the current status of findings and recommendations contained in the Budget Analyst's 1993 performance audit. Those findings and recommendations which we

determined are still relevant to the operations of the parking garages today are described in this section, along with new recommendations.

Overview

There are currently eighteen City-owned parking garages in San Francisco. The facilities provided a total of approximately 14,600 parking spaces. In FY 1997-98, gross receipts totaled approximately \$51.8 million, including Parking Tax revenues of \$9.3 million and Gross Receipts Tax revenues of \$4.3 million, and garage revenues of \$38.2 million. Expenses to operate the garages were approximately \$15.9 million and \$4.6 million was deposited into the garages leased to non-profit corporations' capital accounts, therefore net City income from the parking garages was \$31.3 million. Of the \$31.3 million, MUNI received \$7.7 million, DPT received \$3.4 million, the Recreation and Park Department received \$6.6 million, and \$13.6 million was deposited in the City's General Fund.

Between FY 1994-95 and FY 1997-98 overall gross receipts at the parking garages have increased by 33 percent, while the proportion of overall expenses has declined from approximately 40 percent to 31 percent of total gross receipts. Table 7.1 on the following page compares the increase in gross receipts by parking facility for those garages which were in operation in both FY 1994-95 and FY 1997-98.

Table 7.1

**Comparison of Selected City-Owned Parking Garages
Gross Receipts, FY 1994-95 and FY 1997-98**

	FY 1994-95	FY 1997-98	%
	Gross	Gross	
<i>Leased to Non-profits</i>	<u>Receipts</u>	<u>Receipts</u>	<u>Change</u>
Ellis & O'Farrell	\$3,314,760	\$4,249,144	28%
Fifth & Mission	5,679,631	8,028,418	41%
Japan Center	1,845,276	2,213,126	20%
Portsmouth Square	2,665,417	3,179,434	19%
Sutter-Stockton	<u>7,433,968</u>	<u>10,202,000</u>	37%
Subtotal	\$20,939,052	\$27,872,122	33%
<i>Direct Operation</i>			
Civic Center	\$1,227,927	\$1,881,245	53%
Golden Gateway	3,260,121	4,131,454	27%
Lombard Street	821,552	945,854	15%
Mission-Bartlett	386,852	501,739	30%
Moscone Center	1,260,466	1,573,671	25%
Performing Arts	1,063,038	1,181,756	11%
Polk-Bush	225,095	365,299	62%
St. Mary's Square	3,956,089	3,987,235	1%
Union Square	4,707,348	6,005,611	28%
Vallejo Street	787,753	963,714	22%
1660 Mission Street	<u>27,430</u>	<u>57,947</u>	111%
Subtotal	\$17,723,671	\$21,595,525	22%
Total	\$38,662,723	\$49,467,647	28%

Note: Table does not include North Beach Garage and S.F. General Hospital garages which were not in operation in both FY 1994-95 and FY 1997-98.

The City contracts directly with the operators of 13 of the 18 parking facilities and leases five of them to non-profit corporations. The organizational structure of the City's parking facilities is complex, and differs for each facility depending upon how construction was financed, which City department held title to the property on which the facility was built, and when the facility was built.

The garages leased to non-profit corporations are headed by boards of directors, typically composed of business owners from the area surrounding the garage. Each of the non-profit corporations was formed to issue revenue bonds to finance the

construction of the parking garages. Because the non-profit corporation bonds are tax exempt, their interest rates were reasonably comparable to rates for tax exempt government bonds. Thus the cost to debt finance the construction of the garages was almost as cost effective as if the City had issued bonds directly. However, the revenue bonds did not limit the credit of or become direct obligations of the City.

The respective non-profit corporations contract with a parking operator to provide staff and other services for operation of the garage. For these services, the non-profit corporation pays the operating company a fixed management fee in addition to reimbursement for all operating expenses. The Parking and Traffic Commission reviews the non-profit corporations' annual garage operation budget proposals, and makes budget recommendations to the Controller who has the authority to approve the budgets. The Commission also makes recommendations to the Board of Supervisors regarding individual garage rates and hours of operation.

The direct operation garages involve fewer individuals and agencies. First, there is no non-profit corporate intermediary between the City and the garage operating company. Instead, DPT contracts directly with the operating companies. Second, all operators for the direct operation garages, with one exception, provide garage operations at a fixed rate instead of on a fee plus operating expense reimbursement basis. In other words, the operating company is responsible for paying operating expenses, and its total contractual compensation is presumed to cover expenses and profit. For this reason, the direct operation garages do not submit budgets or reimbursement requests to the Controller for approval.

Accomplishments

Recommendations from the 1993 Performance Audit that have been implemented by the Parking and Traffic Commission, DPT, and non-profit garage corporations, as well as other accomplishments since the prior audit was conducted, include the following:

- DPT has revised the Moscone Center and Polk-Bush management contracts to require annual revenue audits;
- The Parking and Traffic Commission has adopted a resolution establishing a policy of bidding non-profit corporations' garage operator contracts at least every five years;
- DPT has begun to include detailed maintenance and other performance specifications in all new operator agreements;

- DPT has arranged for the scheduled repayment of \$538,832 in back payments and a \$500,000 construction loan from Portsmouth Plaza Corporation;
- DPT and the non-profit corporations have implemented recommendations concerning agreements with attorneys and legal fees;
- DPT has established a 180-day parking garage trial rate in order to measure the effects of changes in fees on garage revenue and usage;
- DPT is moving forward to improve the marketing of City-owned garages by recently securing a gift of \$140,000 gift from several nonprofit garage corporations which will be used by the Off-Street Parking Division to hire a consultant to conduct a garage marketing study and prepare a marketing plan for all of the facilities;
- DPT has hired an assistant director as well as a management assistant to maintain and manage all City-owned garages and parking lots; and
- DPT has moved forward with (a) making improvements and renovations to the Union Square and St. Mary's Square Garages; (b) construction of a new North Beach garage; (c) exploring the development of new garages in the Tenderloin and Fillmore neighborhoods; and (d) expansion of other existing facilities.

Direct Operation Garages

The City oversees thirteen direct operation parking facilities through competitive bidding of operator contracts and compliance monitoring. Today, leases govern three of the direct operation garages. The garage operators that lease these garages make a monthly rental payment to the City based on a percentage of gross monthly revenues, subject to a minimum rent amount. The remaining ten garages are run according to a management-type operator contracts. The garage operators deposit all daily revenues in a City revenue account. The operators are paid by the City at the end of each month. Some operator contracts base the operator payment on a percentage of gross monthly revenues. Others provide the operator with a flat monthly fee, potentially supplemented by a percentage of gross excess revenues, if revenues reach a target level. Table 7.2 on shows the current status of the direct operation parking facilities.

Table 7.2
Direct Operation Parking Facilities

	<u># of spaces</u>	<u>Operator</u>	<u>Expiration of Contract</u>	<u>Type of payment</u>
<i>Leases</i>				
Union Square	1,030	City Park Management	Expired 5/96, currently mo. to mo.	Management fee based on % of gross.
Mission-Bartlett	350	S+F Parking/MEDA	Expired 8/96, currently mo. to mo.	Management fee based on % of gross.
Golden Gateway	1,095	Five Star Parking	Expired 9/96, currently mo. to mo.	Management fee based on % of gross.
<i>Management Type Operator Contracts</i>				
Civic Center	840	Ampco Systems Parking	Expired 8/97, currently mo. to mo.	Flat management fee, plus reimbursement for operating costs.
Polk-Bush	129	City Parking Co.	Expired 3/98, currently mo. to mo.	Management fee w/% gross incentive.
Vallejo Street	163	City Parking Co.	Expired 8/98, currently mo. to mo.	Management fee based on % of gross.
1660 Mission St.	59	Convenient Parking Co.	3/99	Flat management fee.
Performing Arts	612	ABC Parking	1/00	Management fee w/% gross incentive.
Moscone Center	732	ABC Parking	2/00	Management fee w/% gross incentive.
St. Mary's Square	828	PCI/Daja Inc.	3/00	Flat management fee.
Lombard Street	205	Pacific Park Management	4/01	Management fee based on % of gross.
S.F. General Hospital	1,701	Pacific Park Management	6/03	Flat management fee.
North Beach	82	Under construction	-	-

Conversion of Leases to Management-Type Operator Contracts

At the time of the 1993 Audit, as leases with garage operators expired, the City was in the process of converting all of the direct operation garages from leases to management-type operator contracts. The main disadvantage of a lease, from the standpoint of the City, is that it confers a right of possession on the operations company. If an operator refuses to turn over a garage after notification that the City has found it in default of some provision of the lease, the City would have to file a court action to retain possession of the garage. With a management-type operator contract, the operator could be removed after a 30-day notice period, without the need for expensive legal action. Although an operator has never been forcibly removed, the City Attorney's Office has advised that potential legal costs alone warrant a transition to management-type operator contracts.

Another advantage of the management-type operator contract is improved revenue control. Under a such a contract, daily revenues are deposited in a City revenue account, under the supervision of the Department Parking and Traffic and the Department of Real Estate. Under a lease, operators deposit daily revenues in their own accounts, and pay the City at the end of the month.

At the time of the 1993 Audit, DPT advised that all leases upon expiration would be converted to management-type operator contracts. Two garages (Lombard Street and Performing Arts Garage) have been converted since that time. However, as shown in Table 7.2 above, the remaining leased garages (Golden Gateway, Mission-Bartlett, and Union Square) have been operating on a month-to-month basis since their leases expired in 1996 and have not yet been converted to management-type operator contracts.

DPT advises that the three remaining leases have not been converted to management-type operator contracts because they have been unable to devote the staff time required to competitively bid the contracts due to limited staff and competing priorities. The Budget Analyst believes that in order to ensure that the City is obtaining the best possible service and rates, these leases should be converted to management-type operator contracts and competitively bid immediately.

Inclusion of Detailed Performance Specifications in Operator Contracts

In the 1993 Audit, we recommended that operator contracts should be based on a percentage of gross revenue, rather than a fixed fee, when legally and financially feasible. In order to discourage operators from cutting services in order to increase profits, we recommended that detailed performance specifications, with penalty clauses, should be included in all operator contracts. Such specifications could include those covering garage personnel, security, maintenance and signage.

Since the 1993 Audit was performed, DPT has begun including detailed maintenance schedules in all of its new operator contracts. DPT has also made some progress in including in its new operator contracts specification of other key aspects of garage operations such as security, staff training, facility signage, and guidelines for the number of entry and exit lanes open at peak and non-peak hours. Most recently, an Invitation to Bid for the Civic Center Garage operator contract included a minimum staff schedule, quantified staff salaries and duties. This more detailed Invitation to Bid was released after a prior bid process produced unsatisfactory bids and all bids were rejected. Specification of such details and the inclusion of penalty clauses for non-compliance in operator contracts provide DPT contract monitors with more effective ways to maintain standards of service in the garages. As operator contracts expire, DPT should continue to work to include more detailed performance specifications in each new operator contract.

Garages Leased to Non-Profit Corporations

The City currently leases five garages to non-profit corporations (see Table 7.3). The City entered into long term leases with the non-profit garage corporations at the time the corporations were formed. Over the years, the leases have been revised when a garage issued new bonds to finance expansion, or when a garage retired the debt from its original bond financing. The leases specify that the City can set and change parking rates and garage operating hours at any time, as long as the rates will produce enough revenues to make payments on outstanding debt, cover reserve requirements and to reimburse the operators for their budgeted operating expenses.

The non-profit corporations contract with professional garage operators for day-to-day management and operation of the garages. Members of their boards of directors include local business leaders who, in many cases, take an active interest in garage performance and serve as the City's on-site quality assurance inspectors for the garages they control. Board members informally spot-check garage cleanliness, waiting lines and other matters.

Table 7.3 lists the garages leased to non-profit corporations, their operators (with whom the non-profit corporation contracts for day-to-day management and operations), and the annual fee paid to each operator.

Table 7.3

Operators of Garages Leased to Non-Profit Corporations

(All operators are under month-to-month agreements)

<u>Garage and Name of Non-profit Corporation</u>	<u># of spaces</u>	<u>Operator</u>	<u>Annual Management Fee</u>
Ellis & O'Farrell <i>Ellis-O'Farrell Parking Corp.</i>	925	Ampco Systems Parking	\$18,750 plus Supervisory Fee of \$27,600
Fifth & Mission <i>Downtown Parking Corp.</i>	2,622	City Park Management	\$10,000 plus Supervisory Fee of \$32,000
Japan Center <i>Western Addition Parking Corp.</i>	850	Ampco Systems Parking	\$15,000 plus Supervisory Fee of \$28,452
Portsmouth Square <i>Portsmouth Plaza Parking Corp.</i>	504	City Park Management	\$10,000
Sutter-Stockton <i>Uptown Parking Corp.</i>	1,865	Ampco Systems Parking	\$10,000 plus Supervisory Fee of \$22,000

Non-profit Corporations' Garage Operator Contracts

The non-profit corporations do not directly manage the garages. Instead, they contract with professional garage operators. None of the operator contracts for the garages have been competitively bid since the terms of the original agreements were negotiated 30 to 40 years ago. Instead, compensation of operators is based on historical custom or a consultant's analysis. In 1993 we recommended that each non-profit should establish a schedule for putting its operator contract out to bid every three to five years. Subsequently finding that the non-profit corporations' garage operator contracts had not yet been competitively bid, the 1997-98 San Francisco Civil Grand Jury Report recommended that such contracts be put out to bid immediately.

After the 1997-98 Grand Jury issued its recommendation, the Parking and Traffic Commission adopted a resolution establishing a policy of bidding non-profit corporations' garage operator contracts at least every five years. DPT advises that it is now preparing for competitive bids to operate two of the five garages leased to non-profit corporations. According to DPT, an Invitation to Bid for operation of the Japan Center and Ellis & O'Farrell garages will be issued in April 1999. DPT advises that the Fifth & Mission and Portsmouth Square operator contracts will be

put out to bid within the next year and the remaining operator contract, for the Sutter-Stockton Garage, will be placed out to bid at a later date.

Inclusion of Operating Costs and Performance Specifications in the Non-Profit Corporations' Garage Operator Contracts

The City's leases with the non-profit garage corporations require operating budget approval by the City Controller. The garage operator, the on-site manager and the non-profit corporation staff prepare the annual non-profit garage budgets. Proposed budgets must be approved first by the non-profit board of directors, after which they are submitted to the DPT. The Parking and Traffic Commission, in turn, transmits the proposed budgets to the Controller which voluntarily adopts the Parking and Traffic Commission's recommendations regarding the non-profit corporations' garage budgets. The non-profit corporations submit request for reimbursement to the Controller two or three times a month. The Controller's approval is necessary for either City or Trustee reimbursement.

The 1993 Audit determined that the primary tool for oversight of the City-owned garages which are leased to non-profit corporations – the garage budget – was ineffective. The budget approval process and the monitoring of the budgets by the Controller's Office was inadequate at that time. Neither the Controller nor DPT felt that they had the staff to monitor garage spending actively. Today, DPT and the Controller's Office report that the situation has greatly improved and that monitoring of operating expenditures is now closely examined by staff in the Controller's Office. However, as stated in the 1993 Audit, we continue to believe that even under an improved budget approval process, the process produces less efficient results than would competitive bidding by non-profits of operator contracts at a fixed rate including operating expenses.

The existing operator contracts, which provide for a flat management fee and reimbursement of all operating expenses, should be converted to fixed rate operator contracts where the operator is responsible for paying operating expenses without receiving any additional reimbursement of such expenses by the City. In addition, when legally and financially feasible, such operator agreements should be based upon a percentage of gross revenues rather than a flat fee. To ensure that the quality of service provided by the operators remains high, we recommend that the non-profit garage corporations build performance specifications with penalty clauses into the operator contracts and monitor compliance with the specifications. In this way, the non-profit corporations could give the operators an incentive to reduce costs, by making them responsible for paying operating expenses, but establish a satisfactory level of service that the operators must meet.

Off Street Parking Division Staffing and Performance Monitoring

At the time of the 1993 Audit, the Off-Street Parking Division of DPT consisted of one professional staff (the Director of Off-Street Parking), a half-time accounting position, and a clerical position. In 1993 we recommended that a new professional position be added to the Division in order to develop more detailed performance specifications and to inspect each garage on a twice monthly basis. Two additional professional staff persons have been hired: one full-time Deputy Director was hired in July of 1995 and one full-time Management Assistant in May of 1998. DPT advises that the Management Assistant will eventually be responsible for inspections, however, due to training requirements and competing priorities, the Management Assistant has not yet begun conducting inspections of garages regularly. DPT advises that each garage is visited by a member of the Off-Street Parking Division on average one time per month. Twice monthly checklist inspections are needed to ensure that garages are maintained and operated at a reasonable standard of service.

Streamlining of Operator Contract Bid Process

DPT reports that the current garage operator contract bid process is excessively time consuming, taking approximately six months to complete the entire process. DPT states that it is unable to competitively bid all of parking garage operator contracts on a timely basis due to the amount of staff time required. As noted above, DPT is currently behind in competitively bidding its direct operator contracts as they expire and, furthermore, we recommend that all operator contracts for the garages leased to non-profit corporations also be placed out the bid immediately. Competitive bidding of contracts is necessary to ensure that the City is obtaining the best possible service and rates.

DPT should submit to the Board of Supervisors for consideration a proposed ordinance to streamline the bid process from six months to approximately four and one-half months. This would be accomplished by eliminating the requirement for approval of bid documents by the Board of Supervisors. Under the proposal, final approval of an operator contract would continue to be subject to approval by the Board of Supervisors. This would be consistent with the manner in which other City leases of real property are currently approved by the Board, which do not require prior Board action before approval.

Parking Rates

In FY 1997-98, the City collected a total of \$31.2 million from City-owned garages that were deposited into various City Funds including the General Fund. The City has an interest in maximizing these parking related revenues and encouraging shopping in the City's commercial districts while balancing that interest with the City's Transit First policy. The goal of the Transit First Policy is to limit the number of commuters coming into and/or traveling around San Francisco by car. Adjusting parking rates is one tool available to the City to control the flow of traffic into and within the City. The higher the rates, the fewer people will drive into traffic congested areas, encouraging individuals to use public transportation.

The City does not have a uniform rate for its parking garages. Instead, the City establishes rates for each garage depending on the location and use of the garage, as well as the rates of surrounding garages. At the time of the 1993 Audit, in order for a City-owned garage to change its rates, it had to go through a three to four month approval process involving the Parking and Traffic Commission, the Board of Supervisors and the Mayor. This lengthy process hindered the ability of the garages to alter hourly rates on an experimental basis to measure the effect on demand for transient and monthly parking. The Budget Analyst recommended that the Mayor and Board of Supervisors permit DPT to adjust rates over a trial period, under the approval and oversight of the Parking and Traffic Commission.

In 1996, such an experimental rate change process was approved by the Board of Supervisors. Today, under the approval of the Parking and Traffic Commission, garages are permitted to alter parking rates for a trial period of 180 days. At the end of the 180-day trial period, the Parking and Traffic Commission is required to request authorization from the Board of Supervisors and the Mayor to establish permanent rates. At that time the DPT also reports to the Board the results of the trial rate changes with an analysis of their impact on the City's revenues. To date, DPT reports that the trial rate process has been successful and utilized by several garages which have resulted in permanent rate changes.

Conclusion

DPT has implemented many of the recommendations contained in the Budget Analyst's 1993 Performance Audit of the City-owned parking garages. Since 1994, parking garage revenues have increased, operating costs have been kept under control, and many improvements to the City-owned parking garages have been made. However, certain important recommendations from the 1993 Performance Audit have not yet been fully implemented.

This review found that DPT has not yet completed the conversion of leases to management-type operator contracts for all direct operation garages. In addition, DPT has fallen behind in competitively bidding garage operator contracts when they expire. With regard to the garages leased to non-profit corporations, the operator contracts for such garages have not been competitively bid in 30 to 40 years. Competitive bidding of operator contracts is necessary to ensure that the City is obtaining the best possible service and revenues. DPT advises that it is now moving forward with competitively bidding these operator contracts. DPT is developing performance specifications in its garage operating contracts and should continue to expand the type and detail of such specifications to obtain the desired standard of service at the best possible rate. Although additional staff have been hired and improvements have been made, DPT staff is not now conducting inspections of all garages on a regularly scheduled basis and utilizing performance checklists.

Recommendations

The Parking and Traffic Commission should:

- 7.1 Complete the conversion from leases to management contracts with garage operators for all direct operation garages. Where legally possible and financially feasible, compensation of the operator should be based on a percentage of gross revenues rather than on the basis of a flat fee.
- 7.2 Include detailed performance specifications, with penalty clauses, in all management contracts with all direct operation garage operators, covering garage personnel, security, maintenance, and signage.
- 7.3 Direct the DPT Off-Street Parking Division to monitor direct operation garage compliance with performance specifications through twice-monthly checklist inspections, and submit six month reports to the Parking and Traffic Commission on operator performance and revenues.

DPT together with the Non-profit Parking Corporations should:

- 7.4 Convert the existing operator contracts, which provide for a flat management fee and reimbursement of operating expenses, to fixed rate operator contracts, under which the operator agrees to a level of compensation based on a percentage of gross revenues to cover operating costs and profit when legally and financially feasible. Where a bid based on a percentage of gross revenues is not feasible, contracts should be bid based on a fixed level of compensation that covers operating expenses and profit.

- 7.5 Competitively bid the existing fixed rate operator contracts on a regular basis, at least every five years, starting immediately.
- 7.6 Include detailed performance specifications and reporting requirements with penalty clauses in all contracts with operators.
- 7.7 Direct staff to monitor compliance with performance specifications, and report to the Parking and Traffic Commission every six months on operator performance and revenues.

Costs/Benefits

Implementation of performance specifications and checklist inspections for all of the garages and implementation of a competitive bidding process for fixed rate contracts with the non-profit garage operators would achieve efficient garage operation, maintain satisfactory service levels, and maximize net revenues to the City.

**Written Response from the Department
of Parking and Traffic**



WILLIE LEWIS BROWN, JR., Mayor
STUART R. SUNSHINE, EXECUTIVE DIRECTOR

April 13, 1999

Honorable Members
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Honorable Members of the Board:

Our department would like to commend Harvey Rose and his colleagues for their detailed and thoughtful analysis of our department. As a department dedicated to serving the public by promoting traffic flow and the efficient movement of goods and services throughout the City, we are always interested in improving our performance.

While we are grateful for the Budget Analyst's assessment of our department, we also feel that the report failed to consider some important policy and administrative issues that also affect the department's performance. We offer this response as a way to clarify some of these concerns.

Section 1 - Enforcement

Deployment Priorities

In response to policy directives from the Mayor and the Board of Supervisors and in keeping with the City's Transit First policy, we deploy our Enforcement Division to keep traffic moving and help MUNI operate on time. To accomplish these objectives, we have assigned officers to perform traffic control duties on Market Street during commute hours and to patrol along MUNI routes. We are pleased to report that MUNI's travel time on Market Street has improved between 15% and 18% because of the efforts of our traffic control officers. As part of our initiative to keep traffic and MUNI moving, we have also created a special detail to keep loading zones in our commercial areas available for delivery vehicles.

Our Enforcement Division, however, is also responsible for a number of other duties, all of which have increased significantly since enforcement was folded into the department in 1990. This division is responsible for parking meter enforcement, morning and evening

commute tow lanes, enforcement of residential parking permit area time limits, and traffic control for MUNI, special and sporting events, and emergency situations.

Since 1990, the City has increased the number of parking meters by 16%, increased the number of permits it issues by 19%, and added three new residential parking permit areas. However, the number of parking control officers has remained relatively constant until last year, when the department was given permission to hire 60 officers. Because the number of enforcement assignments is still greater than can be reasonably performed with a normal level of excused absences, our department must prioritize its assignments and rotate assignments to ensure that every beat will have some coverage.

(1)

Productivity

Being a Parking Control Officer is a challenging job. Our officers spend every day outside in all weather conditions, and endure abuse and mistreatment from the public while they are trying to do their job. In this type of stressful environment, we expect that parking control officers will have a higher rate of absenteeism due to illness than regular office workers.

(2)

Despite the expectation that our officers may have a higher sick leave rate than average City employees, we are very concerned with the potential abuse of paid sick leave as described in the performance audit. To assess our current use of paid sick leave, we analyzed the amount of sick pay used by parking control officers from the beginning of this fiscal year. We discovered that paid sick leave is only 3.9% of our total payroll expense, which translates to an average of 81.1 hours, or 10.1 days per officer per year. According to these numbers, our parking control officers on average meet the "competent and effective" attendance standards set by the department and the City overall.

Our department acknowledges that some employees may abuse paid sick leave. We agree with Mr. Rose that it is important for the department to try to reduce sick leave abuse and pursue disciplinary action for excessive use of sick time. However, our past experience strongly indicates that using progressive discipline and potential termination for sick leave abuse as the only strategy for reducing sick leave abuse has a limited chance for success and will create a hostile work environment. At the department's suggestion, the performance audit cites two incentive programs that our department would like to implement. A wellness program would allow employees who maintain a defined amount of accrued sick leave to cash out a certain portion of their sick leave balance every year. The department would also like to pilot a 4 day/10 hours work schedule. This type of schedule would make it easier for the department to ensure coverage for special events and other weekend duties, while giving employees more flexibility.

(3)

Section 2 – Workers Compensation

We agree with the findings cited in the performance audit about our escalating workers compensation costs. We are committed to controlling these costs and bringing as many of our employees back to active duty as possible while pursuing modified duty assignments, disability transfers, or disability retirements for those employees who can no longer

* See Attached Budget Analyst Comments

perform. Recognizing that we have growing workers compensation claims and costs, the department appointed a special assistant in December 1997 who dedicates more than half of her time to our workers compensation cost containment program and safety program.

Under her leadership and with the help of a half time safety analyst from the Department of Public Health, the department has created a number of programs to make our workplace safer, prevent future claims, and mitigate the costs of the claims that we have already incurred. We have also pursued ADA transfers and disability retirements for approximately 40 employees who can no longer perform their assigned duties.

The department's extensive workers compensation cost containment plan includes a return to duty program that would give employees short-term placements using temporary salary and reduce workers compensation indemnity payments. The plan also proposes a thorough ergonomic analysis and improved recruitment and selection procedures for classifications with the highest rate of claims to improve our hiring process and reduce the likelihood of future injuries. We would also like to increase our safety analyst to a full time position to assist with the plan's development, implementation, and to evaluate its effectiveness, and hire a full-time claims adjuster who would perform a more aggressive review of our most significant claims. With this plan, we believe the department can reduce its compensation costs by 15% over the next three years. Currently, we do not have the resources to implement this plan and manage our safety and cost containment efforts effectively. Recognizing our need, the Mayor's office has agreed to fund at least one full-time safety analyst and a claims adjuster to support our efforts next fiscal year.

In the past year, we have focused our workers compensation cost containment efforts on three basic improvements to make all DPT workplaces safer: 1) we have created new code of safe work practices that outlines how employees can perform their job, includes safety protocols that employees must follow, gives managers a tool to encourage safe job performance, and holds employees accountable for their performance in the field; 2) we have provided all division managers with safety training, accident investigation training, and training on the workers compensation system and claims process; and 3) we have strengthened the department's safety committee so that front-line employees can identify, prioritize, and help to resolve outstanding safety issues.

(4)

Section 3 – Fleet Management

The department agrees with the majority of the findings in this section and has already instituted some of the suggested improvements cited in the audit. For the past three fiscal years, the department has submitted a vehicle replacement plan request for its fleet as part of its annual budget.

Section 4 – Parking Meter Program

Our department is confident that replacing its aging inventory of mechanical parking meters, all of which are between 12 and 20 years old and suffer from mechanical wear

* See Attached Budget Analyst Comments

and poor design, will increase the amount of meter revenue collected by the City. However, we believe that the audit greatly overstates the potential revenue that parking meters could generate and is overly optimistic about the ability of smart cards to replace completely the use of coins in meters.

Meter Revenue

The potential daily average revenue of \$5.41 per meter proposed in the performance audit is an overly optimistic number. It does not take into account the number of meters that are not operational in the afternoon because of commute route tow away zones. It also underestimates the percentage meters that are used without payment and by disabled placard holders and overestimates the utilization rate for all meters. San Francisco's average collection rate of \$2.21 per day per meter is comparable to other large cities, such as Chicago and New York, that collect from \$2.17 to \$2.26 per meter per day. While we believe that electronic meters will increase the amount of revenue the City will collect because they will be more secure and more difficult to jam, it is highly unlikely that we will ever reach the unrealistic \$5.41 figure proposed in the audit. (5)

Meter Repair

The audit report also cited the department's inability to repair or replace meters quickly. Over the years, San Francisco has increased the number of meters by 16% but decreased the number of repairers in the field because of budget cuts. In 1974, San Francisco had 19 repairers and about 16,000 meters, or about 840 meters per repairer. Currently, the City has 23,000 meters and 16 repairers, or about 1,435 meters per repairer. This ratio of meters to repairers is higher than in other major cities. For example, New York City has about 1,200 meters per repairer. (6)

In addition, our department has limited its purchase of new mechanical meters because of its intention to replace them with electronic meters. We delayed the electronic meter installation, however, because the electronic meters in our field test failed to meet an acceptable performance standard. Because this delay has been longer than we expected, our department has a limited number of mechanical meters that it can use to complete new installations or replace broken meters. The audit suggests that our parking meter program was unaware of the number of missing or out of service meters. On the contrary, our department has very complete repair records, but we currently have more meters to repair or replace than we have the inventory to install.

Because of our limited inventory, we have prioritized meter installations and repairs based on requests from the public and the nature of their location. For example, meters in busy commercial areas receive a higher priority than meters in less busy areas. Our experience has also shown us that meters in some areas, such as small streets or alleys, are extremely difficult for us to keep in place because these areas are secluded and meters are easily vandalized or stolen.

Instead of purchasing new mechanical meters, we have chosen to spend our efforts troubleshooting our electronic test meters and focusing on the development of our Request for Proposal for new meters, which we plan to release on April 20, 1999. Despite

Notes

our limited supply of mechanical meters, our department is projecting a revenue increase of \$500,000 in meter collections over last fiscal year. This increase can be partly explained by our department's effort to deter theft by making our meters and collection equipment more secure.

The audit suggests that the department should consider privatizing its meter repair operations to improve performance. The report cites as an example Lockheed's operation in Washington D.C., where their performance standard is to replace a missing meter within 45 minutes. Washington, however, has converted to electronic meters, so it is misleading to compare repair demands of electronic meters to mechanical ones. Also, because of a lack of financial resources, Washington was forced to privatize their entire parking meter operation and share a significant percentage of revenue with Lockheed as a condition of the contract.

(7)

We believe that we could meet a 45-minute replacement standard, but with our existing mechanical meters, we would have to reduce our regular maintenance routes. Given the large number of meters that each repairer is responsible for and our limited number of mechanical meters, we have chosen to dedicate our repair resources to ensure consistent and regular repairs along the most important routes. It is important to remember that not all meters are equally important for parking turnover or revenue collection. The installation of electronic meters will change the way that we perform repairs and give us additional resources to create floating teams of repairers who can be specialists at solving particular problems. We feel that if the City converts to electronic meters and privatizes its repair function at the same time, it would never be able to measure whether any increased efficiencies were the result of the new meters or the privatization of repair.

The audit also highlights the difficulty that parking meter repairers have in the field with replacement parts, coordination, and communication. Our department purchases factory replacement parts, so the spring problem cited in the audit is a design flaw of the meter rather than a purchasing problem. In addition, our parking meter repairers can only carry a limited number of replacement parts because they walk their repair routes. The audit recommends, and we agree, that all parking meter repairers need their own vehicle. We plan to ask for vehicles as part of our electronic meter project.

Coordination of Collection and Repair

The audit also recommend improved coordination of maintenance and repair routes. Currently, collectors and the repair operation communicate on a daily basis. The collection teams report all broken meters by number to the repairer shop. Our maintenance and collection routes do not match because the tasks that they perform are quite different. Maintenance routes are designed to be covered on foot by one repairer per day. Collection routes are performed by teams of collectors on foot with the support of a van and are adjusted from time to time to improve revenue collection and discourage theft.

(8)

Electronic meters will give us the ability to maintain electronic repair records and a computerized map of maintenance and collection routes so that we can blend repair and collection information seamlessly.

Meter Security

The audit suggests a number of improvements to increase the security of parking meters. Currently, we have one employee who manages meter collection and security. Many other cities have a significant number of employees whose only responsibility is meter security. For example, Los Angeles has 5 full-time security people for 48,000 meters. In last year's annual budget request, we asked for several new positions to assist with meter collections and security. We agree that our Parking Meter Collections Manager needs additional staff and we support the recommendation to hire an 1842 Management Assistant

(9)

The audit also recommended that the department implement a random key system to discourage theft. While we support making our meters more secure, we do not believe that a random key system is the best approach. A random key system would require the same amount of key management as using a unique key-per-meter system. Under this type of key control system, the department would have to manage 46,000 keys. To ensure that meter collection is fast and efficient, the department would need to create unique sets of keys on separate rings for every collection route that would open each meter in sequence. New York City, which has a one key per meter system, has 70,000 meters and 140,000 keys (2 sets per meter), a staff of 8 and a large storage room used exclusively for keys. To implement this type of system in San Francisco, we would need to hire at least one manager and two additional people and dedicate a storage facility to manage the increased number of keys.

Over time, the department has continued to improve its meter security. In the 1970s, the program only had 5 unique meter keys. Today, we maintain an average of 25 to 30 meters per key. Most cities do not choose to manage less than 15 meters per key because of the significant number of staff that an effective key control program requires. As part of the new electronic meter program, we are planning to install electronic locks that will increase our meter security without requiring such a complicated key control program.

The audit suggests that the movement of coin cans between meters indicates that the department may have an internal security problem. While we will investigate this potential security problem, we also want to point out that the analyst failed to consider that parking meter thieves that cut off and steal parking meter heads have functioning parking meter keys and coin canisters from the stolen meters. An organized theft operation can open any parking meter with a matching key, take the coin canister currently in the meter, and replace it with one from a stolen meter.

Disabled Placard Abuse

While we agree with many of the recommendations in this section, we want to provide additional information on our program. The Disabled Placard Enforcement Program currently has four officers who are dedicated to preventing the misuse of placards. We

* See Attached Budget Analyst Comments

also offer hotline that allows the public to report potential placard abuse. San Francisco is considered a leader in disabled placard enforcement, providing guidance to cities across California and the United States.

Because of our improved reporting capabilities with the department's new citation processing system, we have asked our contractor to produce regular reports that the Enforcement and Hearing Divisions can use to improve their effectiveness. The department is also currently working with the California Public Parking Association and other cities, such as Los Angeles, on new legislation that will limit disabled placard abuse.

Section 5 – Parking Services

The department agrees with a majority of the findings in this section. We plan to monitor this contract closely to evaluate its effectiveness.

Section 6 – School Crossing Guard Program

The department agrees with a majority of the findings in this section. As part of its budget submittal, the department has asked to reclassify the manager of the school crossing guard program as an 1842 Management Assistant. We also hired a 1406 clerk in March to assist the program manager.

Recruitment

Our personnel office has spent additional time to help the program improve its recruitment practices, including contacting senior and community-based organizations and attending various community meetings. Despite our efforts, recruitment is still extremely difficult because of the nature of the job. Crossing guards work an average of two to three hours a day in split shifts for approximately \$11 an hour. It is difficult to find qualified people who are interested in these positions and willing to stay in them for more than one year.

Attendance

The program manager has instituted an attendance procedure asking schools to report the attendance records of the crossing guard stationed near their school on a weekly basis. With the hiring of additional clerical staff, we plan to work with the schools to improve this procedure and increase compliance. Our department will also be offering training on performance appraisal and disciplinary procedures in the coming year that will help the program improve its current practice.

Section 7 – City-Owned Parking Garages

The department appreciates the careful review of the progress that we have made to improve the condition and management of these city facilities and agrees with many of the recommendations included in the report. However, we would like elaborate on our inspection policy and practices. It is our policy to inspect all metered parking lots and garages twice a month. Our management assistant has scheduled lot inspections on the

* See Attached Budget Analyst Comments

Notes *

first and third weeks of each month and garage inspections on the second and fourth week of each month. We have also submitted legislation to the Board of Supervisors to streamline the contract process and improve our ability to competitively bid the operation of our facilities.

(10)

In addition, while we agree that the 180-day trial rates at various facilities have been successful, we think that we can improve our program by extending the trial period to 365 days. This longer timeframe will minimize the effects of seasonal variation and allow us to gather more accurate information on the results of the trial rate.

We disagree, however, with the Budget Analyst's recommendation that we should convert the operator agreements for facilities managed by non-profit corporations to fixed rate operator contracts rather than a flat management fee that includes reimbursement for expenses. The management fee type of agreement works well at non-profit garages because the non-profit manager has a large amount of control over the expenses that its garage operator proposes. If the non-profit organization or the City feels that an expense reimbursement request from the garage operator is too high, we can ask the operator to solicit bids to lower the cost of these services. This practice ensures that the operator will keep its requests for reimbursement at a reasonable level.

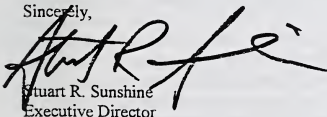
(11)

In addition, a management fee type of agreement can also offer an operator financial incentives for increasing revenues and/or decreasing expenses. Because these agreements outline performance standards for the operation of the garage, they can include incentives while ensuring that the facility will be operated properly.

Conclusion

Our department thanks the Budget Analyst and his staff for their report and we look forward to their support on our various initiatives when they review the Mayor's annual budget request. We see this report is one of many management tools that we can use to improve our performance, highlight our achievements, and provide the public with a better understanding of the services that we provide.

Sincerely,



Stuart R. Sunshine
Executive Director

Budget Analyst Comments Concerning the Written Response of the Department of Parking and Traffic

- 1) Enforcement - Our findings and recommendations were prepared after a thorough review of DPT's current workload and current staff resources. With regard to Enforcement Sections of the report, we note that the DPT response did not address Section 1.2 concerning Deployment.
- 2) Productivity - In our analysis and report, we did acknowledge and take into account the various activities performed by the Enforcement Division as cited in DPT's response, including patrolling Muni routes, traffic control, and the enforcement of parking meters, morning and evening tow lanes and residential permit parking areas.
- 3) Productivity - DPT states that, because of the stressful work environment of PCOs, a higher rate of absenteeism should be expected. We acknowledged this fact in Section 1.1 - Productivity. DPT's response states that, based on its own analysis of paid sick days taken since July 1, 1998, paid sick leave represents only 3.9 percent of its payroll expense, which translates to an average of 10.1 days per PCO per year and which meets DPT's "competent and effective" attendance standards. Our analysis of sick leave, which was based on a random sample of 14 pay periods over a two-year period, showed that paid sick leave represented approximately 19 percent of all absences - the third highest type of absence after workers compensation and vacation. This is equivalent to an average of approximately 12 paid sick days per PCO per year, which also falls into the category of "competent and effective" in terms of DPT's attendance standards. However, DPT fails to take into account the other types of leave that are contributing significantly to absenteeism and lost productivity. For example, workers compensation, which represents 35 percent of all absences, results in 5,955 absences per year, or an average of 22 absences per PCO. In addition, there are 2,282 absences due to unpaid sick and State disability leave per year, or an average of nine absences per PCO per year. Overall, each PCO misses an average of 41 workdays per year, in addition to absences due to vacation, holidays, compensatory time off, and family leave. As a result, as cited in our report, 60 percent of PCOs fall below acceptable attendance standards. We also cited examples of PCOs taking paid sick days on days adjacent to their regular days off, holidays, or vacation days, thereby indicating that paid sick leave is being abused by PCOs.

- 4) Workers Compensation - DPT did not respond specifically to each of the 15 recommendations contained in Section 2 – Workers Compensation.

DPT states in its response that its workers compensation cost containment plan would reduce compensation costs by 15 percent over the next three years. We believe that our recommended cost containment plan would slow the growth in workers compensation expenditures from the current average growth rate of 15 percent annually to an average growth rate of approximately 5.0 percent per year, which we believe is a more realistic goal than DPT's goal of reducing costs by 15 percent from the current level.

In its response, DPT cites the measures it has taken in FY 1998-99 to reduce workers compensation costs. We acknowledged these efforts in our report. However, it should also be noted that, despite DPT's efforts, DPT's FY 1998-99 workers compensation expenditures are projected to be \$2,143,948, or \$420,359 higher than budgeted expenditures.

- 5) Meter Revenue – The DPT response states that the “potential daily average revenue of \$5.41 per meter proposed in the performance audit is an overly optimistic number.” Our report does not “propose” such a revenue per meter. The optimal daily average revenue of \$5.41 per meter used in our report is a benchmark figure of potential revenue reflecting and assumption that 85 percent of the parking meters are in working order and 15 percent are in need of repair. Comparing the collections per meter for San Francisco with the City of New York and Chicago, as DPT has done, is a useless exercise unless similar benchmarks are provided for those jurisdictions.

Our projected revenue benefit from improving parking meter repair practices is based on an extremely modest \$0.50 per meter increase in collections. Such benefits can be achieved regardless of whether the City continues with the use of mechanical parking meters or, as DPT has proposed for over two years, actually implements a conversion to electronic parking meters.

- 6) Meter Repair – The DPT response states that the number of meters in the City has increased by 16 percent and that the number of meter repairer positions has decreased in recent years. In light of the parking meter repair workload and increased number of meters mentioned in the Department's response, we cannot understand why 25 percent, or four of 16 meter repairer positions were vacant for up to eight months, as described in our report. We have been informed that DPT has recently hired provisional employees for these vacancies.

- 7) Privatizing Meter Repair – The DPT response states that it is misleading to compare the repair demands of electronic parking meters with mechanical parking meters.

Our recommendation to consider privatization of meter repair services is intended for inclusion in the forthcoming RFP for electronic meters. We do not recommend privatization of repair functions for the mechanical parking meters.

- 8) Coordination of Collection and Repair – The DPT dismisses this finding based on the fact that repair routes and collection routes are different. We see no impediment to the suggested coordination based on this response.

- 9) Meter Security – The DPT response states that the City would have to maintain 46,000 parking meter keys to implement this recommendation.

The City does not need to increase the number of keys to open the parking meters. The City in effect has at the present time a random key system for each collection route, but for many of the blocks within the collection route, the same key is currently used. Our recommendation is to use the same number of keys needed for the collection route but to make the key selection random for each block.

With regard to movement of coin canisters, the DPT states that we failed to consider parking meter theft and the use of illegally made parking meter keys. To the contrary our recommendations were developed in consideration of the theft problem and would increase the time needed for such theft and limit the number of meters on a particular block that could be opened by unauthorized persons as a deterrent.

- 10) City-Owned Garages - DPT's response states that it is their current policy to inspect all metered parking lots and garages twice a month and that this duty is performed by a management assistant in the Department. At the time of our review, DPT advised that it was planning to establish regularly scheduled inspections, however, due to other job duties the management assistant assigned to conduct such inspections had not yet been able to regularly inspect all garages on a twice per month basis.

- 11) Garage Operator Agreements - DPT's response states that they disagree with our recommendation that operator agreements for facilities managed by non-profit corporations be converted to fixed rate operator contracts which include operating expenses rather than the current arrangements where operators are paid a fixed management fee and are reimbursed for operating expenses. DPT states that the current arrangement works well because the non-profit manager has a large amount of control over the expenses that its garage

operator proposes and that the review practice by the non-profit and the City ensures that the operator will keep its requests for reimbursement at a reasonable level. In 1993, we found that neither the Controller nor DPT felt that they had the staff to monitor garage spending actively. Although the situation has improved, we continue to believe that the current process produces less efficient results than would competitive bidding of operator contracts at a fixed rate which includes operating expenses, similar to the agreements with garage operators for the direct operation garages.

As with the direct operation garages, in order to ensure that the quality of service provide by the operators remains high, the non-profit garage corporations should build performance specifications with penalty clauses into the operator contracts and monitor compliance with the specifications. In this way, the non-profit corporations could give the operators an incentive to reduce costs, by making them responsible for paying operating expenses, but establish a satisfactory level of service that the operators must meet.

